

Exhibit C

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DISTRICT COURT
DISTRICT OF MASSACHUSETTS
Civil Action No: 04-10411 (PBS)
-----x

STONINGTON PARTNERS, INC., a Delaware
Corporation, STONINGTON CAPITAL
APPRECIATION 1994 FUND L.P., a Delaware
Partnership and STONINGTON HOLDINGS,
L.L.C., a Delaware limited liability
company,

Plaintiffs,

v.

DEXIA S.A. and DEXIA BANK BELGIUM
(formerly known as ARTESIA BANKING
CORP., SA),

Defendants.
-----x

March 20, 2007
9:37 a.m.

Videotaped deposition of VINCENT
J. LOVE, taken by Dexia Bank Belgium,
held at the offices of Clifford
Chance, 31 West 52nd Street, New York,
New York, before Kathleen Piazza
Luongo, a Notary Public of the State
of New York.

<p>2</p> <p>1 UNITED STATES DISTRICT COURT DISTRICT OF MASSACHUSETTS 2 Civil Action No: 04-10477(PBS) (Consolidated with No. 04-10411(PBS)) 3 -----x 4 GARY B. FILLER and LAWRENCE PERLMAN, Trustees of the TRA Rights Trust, 5 6 Plaintiffs, 7 8 v. 9 DEXIA, S.A. and DEXIA BANK BELGIUM (formerly known as ARTESIA BANKING CORP., SA), 10 11 Defendants. 12 -----x 13 UNITED STATES DISTRICT COURT DISTRICT OF MASSACHUSETTS Civil Action No: 04-10501(PBS) (Consolidated with No. 04-10411(PBS)) 14 -----x 15 JANET BAKER and JAMES BAKER, 16 JKBaker LLC and JMBaker LLC, 17 Plaintiffs, 18 v. 19 DEXIA, S.A. and DEXIA BANK BELGIUM (formerly known as ARTESIA BANKING CORP., SA), 20 21 Defendants. 22 -----x 23 24 25</p>	<p>4</p> <p>1 2 3 THE VIDEOGRAPHER: Standby one 4 moment please. 5 Good morning, we are on the 6 record, today's date is March 20, 7 2007, the time is 9:37 a.m. 8 This is the videotaped 9 deposition of Vincent J. Love in the 10 case of Stonington Partners, et al, 11 versus Dexia Bank Belgium, case number 12 04-CV-10411; consolidated with Filler, 13 et al, versus Dexia, case number 14 04-CV-10477; consolidated with Baker, 15 et al, versus Dexia, 04-CV-10501. 16 Case filed in the U.S. District Court, 17 District of Massachusetts. 18 We're at the offices of Clifford 19 Chance, 31 West 52nd Street, New York, 20 New York. 21 The videographer is Chris Martin 22 and the court reporter is Kathleen 23 Luongo. We're from Veritext Court 24 Reporting in New York City. 25 At this time will counsel please</p>
<p>3</p> <p>1 2 A P P E A R A N C E S: 3 4 BOIES, SCHILLER & FLEXNER LLP 255 South Orange Avenue Suite 905 Orlando, Florida 32801-3456 Attorneys for Baker Plaintiffs 6 7 BY: KAREN DYER, ESQ. -and- GARY K. HARRIS, ESQ. 8 9 10 REED SMITH LLP 2500 One Liberty Place 1650 Market Street Philadelphia, Pennsylvania 19103 Attorneys for Baker Plaintiffs 12 13 BY: ALAN K. COTLER, ESQ. 14 15 CLIFFORD CHANCE 31 West 52nd Street New York, New York 10019 Attorneys for Defendant Dexia Bank Belgium 17 18 BY: JEFF E. BUTLER, ESQ. 19 20 ALSO PRESENT: 21 Christopher Martin, Videographer 22 23 24 25</p>	<p>5</p> <p>1 2 introduce themselves for the record. 3 MR. BUTLER: Jeff Butler, I'm 4 from Clifford Chance, representing 5 Dexia Bank Belgium. 6 MR. FRISCHKNECHT: Andreas 7 Frischknecht, also from Clifford 8 Chance, also representing Dexia. 9 MS. DYER: Karen Dyer, Boies, 10 Schiller, representing the Baker 11 Plaintiffs. 12 MR. COTLER: Alan Cotler from 13 Reed Smith, the Baker Plaintiffs. 14 MR. HARRIS: Gary Harris, Boies, 15 Schiller & Flexner, representing the 16 Baker Plaintiffs. 17 THE VIDEOGRAPHER: Will the 18 court reporter please swear in the 19 witness. 20 V I N C E N T J. L O V E, called as a 21 witness, having first been duly sworn, was 22 examined and testified as follows: 23 EXAMINATION BY MR. BUTLER: 24 Q. Good morning, Mr. Love. 25 A. Good morning, Mr. Butler.</p>

2 (Pages 2 to 5)

<p>1 LOVE</p> <p>2 Q. Could you please state your full</p> <p>3 name and address for the record.</p> <p>4 A. Vincent J. Love, my business</p> <p>5 address is 675 Third Avenue, New York,</p> <p>6 New York, 10017. My home address is 161</p> <p>7 Fairway Drive, Stamford, Connecticut</p> <p>8 06903.</p> <p>9 Q. And you have been retained in</p> <p>10 this case by the Plaintiff as a testifying</p> <p>11 expert; correct?</p> <p>12 A. That's correct.</p> <p>13 Q. What are your areas of</p> <p>14 expertise?</p> <p>15 A. I'm a Certified Public</p> <p>16 Accountant, accounting and auditing; I'm a</p> <p>17 Certified Bank Auditor, which would be</p> <p>18 banking; and I'm a Certified Fraud</p> <p>19 Examiner, which would be fraud</p> <p>20 investigations.</p> <p>21 Q. Do you have any other areas of</p> <p>22 expertise that may be relevant in this</p> <p>23 case?</p> <p>24 A. As relevant to this case, I</p> <p>25 don't believe so.</p>	<p>1 LOVE</p> <p>2 Q. Are there opinions in either of</p> <p>3 the reports that you filed in this case</p> <p>4 that arise from your expertise as a bank</p> <p>5 examiner as opposed to from your expertise</p> <p>6 as an accounting and auditing expert?</p> <p>7 A. I think it's an integrated</p> <p>8 process, because we're talking about</p> <p>9 banking records, looking at banking</p> <p>10 documents, we're talking about the</p> <p>11 application of U.S. GAAP, so that it's</p> <p>12 sort of an integrated process, it's not</p> <p>13 one in the same. All three areas we're</p> <p>14 talking about fraud, so all three areas</p> <p>15 come into play.</p> <p>16 Q. You mentioned we're talking</p> <p>17 about fraud and you said that you are a</p> <p>18 Certified Fraud Examiner; is that correct?</p> <p>19 A. That's correct.</p> <p>20 Q. Do you believe that you are an</p> <p>21 expert on fraud?</p> <p>22 MS. DYER: Objection to form.</p> <p>23 A. On -- on, on investigating</p> <p>24 fraud, yes, and also not only because of</p> <p>25 the CFE designation but clearly because of</p>
<p>1 LOVE</p> <p>2 Q. You mentioned that you are an</p> <p>3 expert on accounting and auditing. Does</p> <p>4 that include being an expert on U.S.</p> <p>5 generally accepted accounting principles?</p> <p>6 A. Yes.</p> <p>7 Q. Are you an expert on any other</p> <p>8 non-U.S. accounting principles?</p> <p>9 MS. DYER: Objection to form.</p> <p>10 A. International accounting</p> <p>11 principles, promulgated by the IAS.</p> <p>12 Q. Do you feel you are qualified as</p> <p>13 an expert to testify about accounting</p> <p>14 principles that are utilized outside of</p> <p>15 the United States?</p> <p>16 MS. DYER: Objection to form.</p> <p>17 A. In certain circumstances, yes.</p> <p>18 Q. You also mentioned that you are</p> <p>19 an expert on banking; you are a certified</p> <p>20 banking examiner, did I get that correct?</p> <p>21 A. I'm a Certified Bank Auditor.</p> <p>22 I am also -- have been a chair</p> <p>23 of an audit committee of a U.S. national</p> <p>24 bank and served on the board, of course,</p> <p>25 of a U.S. national bank as well.</p>	<p>1 LOVE</p> <p>2 the CPA designation, or license, which</p> <p>3 really deals with accounting and auditing,</p> <p>4 and that also deals with discovery and</p> <p>5 investigation of fraud as well.</p> <p>6 Q. When you say you're an expert on</p> <p>7 investigating fraud, what does that mean?</p> <p>8 What expertise do you have in investi-</p> <p>9 gating fraud?</p> <p>10 A. Plain, simple English, you</p> <p>11 investigate the fraud. You get a</p> <p>12 predicate, there's a fraud that's been</p> <p>13 committed, you look at the documents, you</p> <p>14 examine them, you determine where the</p> <p>15 fraud occurred, how it occurred and look</p> <p>16 at the amount of the fraud, the cost of</p> <p>17 the fraud to the company.</p> <p>18 Q. You stated that you are a</p> <p>19 Certified Fraud Examiner; what did you do</p> <p>20 to become a Certified Fraud Examiner?</p> <p>21 A. At the time that I became a</p> <p>22 Certified Fraud Examiner it was based upon</p> <p>23 your experience and a recommendation I</p> <p>24 believe of three attorneys for whom you</p> <p>25 had worked on fraud investigations; since</p>

3 (Pages 6 to 9)

<p>1 LOVE</p> <p>2 that time you are required to take an</p> <p>3 examination besides having experience and</p> <p>4 the recommendation from attorneys.</p> <p>5 Q. Did you take any examination to</p> <p>6 become a Certified Fraud Examiner?</p> <p>7 A. No.</p> <p>8 Q. Did you have any special courses</p> <p>9 that you took to become a Certified Fraud</p> <p>10 Examiner?</p> <p>11 A. No, I've taken courses</p> <p>12 subsequently, but courses in auditing.</p> <p>13 You said specified courses to be a</p> <p>14 Certified Fraud Examiner, there was no you</p> <p>15 had to pass a certain course to become a</p> <p>16 Certified Examiner, no, but fraud has</p> <p>17 always been a part of a CPA's knowledge in</p> <p>18 accounting for companies.</p> <p>19 Q. At the time you became a</p> <p>20 Certified Fraud Examiner, is it fair to</p> <p>21 say that anyone who is a CPA and had</p> <p>22 recommendations from three attorneys could</p> <p>23 get the designation of Certified Fraud</p> <p>24 Examiner?</p> <p>25 MS. DYER: Objection to form.</p>	<p>1 LOVE</p> <p>2 or testing to become a Certified Fraud</p> <p>3 Examiner; is that fair to say?</p> <p>4 MS. DYER: Objection. Objection</p> <p>5 to form.</p> <p>6 A. Let me say that both</p> <p>7 designations are different, okay? The CPA</p> <p>8 is a license that's given in about 50, 51</p> <p>9 jurisdictions in the United States and its</p> <p>10 territories, it's given by a political</p> <p>11 authority, the CFE. The designation is</p> <p>12 given by the Association of Certified</p> <p>13 Fraud Examiners when you meet certain</p> <p>14 qualifications you've got to continue with</p> <p>15 your education in fraud and you have to</p> <p>16 report each year to them, and they give</p> <p>17 courses on fraud examination and the like;</p> <p>18 and the same with the charter Certified</p> <p>19 Bank Auditor, that's given out by the Bank</p> <p>20 Administration Institution, that requires</p> <p>21 a test, it was a test on accounting and</p> <p>22 auditing, then accounting and auditing</p> <p>23 applied specifically in the banking area</p> <p>24 and bank operations as well; but again,</p> <p>25 that's given by an organization, it's a</p>
<p>1 LOVE</p> <p>2 A. I don't think anyone is the</p> <p>3 proper qualifier. You did have to have,</p> <p>4 you know, you could -- I'm trying to</p> <p>5 recall, it's been quite sometime, they</p> <p>6 asked for experience, I believe at the</p> <p>7 time in fraud, so you had to show some</p> <p>8 experience in it.</p> <p>9 CPA designation was a long way</p> <p>10 there, of course, because of the CPA,</p> <p>11 since God created CPAs in the last century</p> <p>12 with the CAs, would be people who would be</p> <p>13 called in when there was a fraud to</p> <p>14 examine the books and records.</p> <p>15 Q. When you became a CPA, I assume</p> <p>16 that you had to have some kind of</p> <p>17 education or some kind of course study</p> <p>18 that allowed you to become a CPA; is that</p> <p>19 correct?</p> <p>20 A. That's correct.</p> <p>21 Q. Did you have to take a test to</p> <p>22 become a CPA.</p> <p>23 A. Yes.</p> <p>24 Q. But you didn't have to do</p> <p>25 anything else in the terms of course work</p>	<p>1 LOVE</p> <p>2 designation and not a license, the CPA is</p> <p>3 the license.</p> <p>4 Q. You mentioned the designation</p> <p>5 given to you by the Bank Administration</p> <p>6 Institution; is that a U.S. based</p> <p>7 organization?</p> <p>8 A. Yes.</p> <p>9 Q. Do you have any designation from</p> <p>10 any non-U.S. organizations?</p> <p>11 A. No.</p> <p>12 Q. Do you consider yourself an</p> <p>13 expert in Belgium banking?</p> <p>14 MS. DYER: Objection to form.</p> <p>15 A. Let me just say that I know</p> <p>16 Belgium banking. I've audited -- I've</p> <p>17 been responsible for the audit of the</p> <p>18 bank in Belgium, I've audited and been</p> <p>19 responsible for banks across -- across the</p> <p>20 globe and I've given bank courses in</p> <p>21 Germany, Cyprus and Singapore.</p> <p>22 So on international banking --</p> <p>23 and they're somewhat similar, they're</p> <p>24 somewhat different, each country has its</p> <p>25 own regulations -- but I've reviewed bank</p>

4 (Pages 10 to 13)

<p style="text-align: right;">14</p> <p>1 LOVE</p> <p>2 work in Belgium in Brussels, on a bank</p> <p>3 operating in Brussels that was</p> <p>4 consolidated into a bank here in the</p> <p>5 United States.</p> <p>6 Q. What was the name of that bank?</p> <p>7 A. American Express International</p> <p>8 Banking Corporation, the Belgium --</p> <p>9 Belgium, which was a separate regulated</p> <p>10 Belgian bank.</p> <p>11 Q. Do you expect to offer opinions</p> <p>12 at trial about the practices within</p> <p>13 Belgian banks?</p> <p>14 MS. DYER: Objection to form.</p> <p>15 A. No, not -- if, you know, if</p> <p>16 asked and I could answer it I would, but</p> <p>17 right now I don't see myself answering</p> <p>18 anything on regulation of Belgium -- any</p> <p>19 questions on regulation of Belgian banks</p> <p>20 other than maybe reading what's already in</p> <p>21 the record.</p> <p>22 Q. Do you expect to testify at</p> <p>23 trial about whether a fraud occurred in</p> <p>24 this case?</p> <p>25 MS. DYER: Objection to form.</p>	<p style="text-align: right;">16</p> <p>1 LOVE</p> <p>2 expert, what you just said, is an</p> <p>3 expression of your opinion as an expert;</p> <p>4 is that correct?</p> <p>5 MS. DYER: Objection to form.</p> <p>6 I think it mischaracterizes his</p> <p>7 testimony.</p> <p>8 A. I think it's what I said. I'm</p> <p>9 going to assist the jury, who will be the</p> <p>10 trier of fact and the final decision-</p> <p>11 maker, to understand what occurred and how</p> <p>12 that is considered fraud and explain the</p> <p>13 SEC's charges of fraud against the bank,</p> <p>14 the Belgian regulatory authorities' charge</p> <p>15 of fraud against the bank, the charges of</p> <p>16 fraud that came up in the Bryan Cave</p> <p>17 report and even KPMG in its follow-up</p> <p>18 report for the regulatory authorities</p> <p>19 after the fraud was discovered.</p> <p>20 Q. Are there any factual issues in</p> <p>21 this case that you are not prepared to</p> <p>22 express an opinion about?</p> <p>23 MS. DYER: Objection to form.</p> <p>24 Do you understand the question?</p> <p>25 A. It's a ridiculous question, Mr.</p>
<p style="text-align: right;">15</p> <p>1 LOVE</p> <p>2 A. If asked, yes, and I think if</p> <p>3 you read my report I say that there was</p> <p>4 massive fraud that occurred here.</p> <p>5 Q. I read that in your report.</p> <p>6 Do you think you are in a better</p> <p>7 position than the jury to decide whether a</p> <p>8 fraud occurred in this case?</p> <p>9 MS. DYER: Objection to form.</p> <p>10 A. I'm here to assist the jury to</p> <p>11 come to their conclusions and decision and</p> <p>12 as a Certified Fraud Examiner and a CPA</p> <p>13 and a CBE with experience in investigating</p> <p>14 fraud, and investigating financial fraud,</p> <p>15 I'm here to assist the trier of fact and</p> <p>16 that's what I'll do at trial.</p> <p>17 Q. Do you think you'll be able to</p> <p>18 assist the trier of fact by telling them</p> <p>19 that a fraud occurred in this case?</p> <p>20 MS. DYER: Objection to form.</p> <p>21 A. I will assist them by telling</p> <p>22 them about the bank's participation in a</p> <p>23 fraud that was used to deceive and harm</p> <p>24 thousands of people.</p> <p>25 Q. And it is your testimony as an</p>	<p style="text-align: right;">17</p> <p>1 LOVE</p> <p>2 Butler, because what facts can come up? I</p> <p>3 don't know what facts can come up. You</p> <p>4 can bring up a lot of facts and they can</p> <p>5 bring up a lot of facts.</p> <p>6 The facts that are in my report</p> <p>7 or the documents, the mass of documents</p> <p>8 that are referenced in there and that</p> <p>9 exist that relate to the bank's</p> <p>10 participation in the fraud I'm prepared to</p> <p>11 testify about.</p> <p>12 Q. Is it possible that the jury</p> <p>13 will conclude that some of the facts in</p> <p>14 your report are not true, that they will</p> <p>15 reach different conclusions?</p> <p>16 MS. DYER: Objection. It calls</p> <p>17 for speculation.</p> <p>18 MR. BUTLER: I don't think it</p> <p>19 calls for any speculation.</p> <p>20 Q. Is it possible that the jury</p> <p>21 will reach different factual conclusions</p> <p>22 than you have reached, Mr. Love?</p> <p>23 MS. DYER: Same objection.</p> <p>24 Calls for speculation.</p> <p>25 A. I can't tell you what the jury</p>

5 (Pages 14 to 17)

<p style="text-align: right;">18</p> <p>1 LOVE</p> <p>2 is going to decide. The jury will hear</p> <p>3 all of the evidence and make its own</p> <p>4 decision.</p> <p>5 I have come to a conclusion</p> <p>6 based on the facts that I have seen that</p> <p>7 the bank is involved very heavily in this</p> <p>8 fraud, it would never have occurred</p> <p>9 without the bank's active participation.</p> <p>10 Q. And if the jury disagrees with</p> <p>11 some of the factual assumptions that you</p> <p>12 have made in reaching your opinions, that</p> <p>13 would naturally call your opinions into</p> <p>14 question; correct?</p> <p>15 MS. DYER: Objection to form.</p> <p>16 Calls for speculation.</p> <p>17 A. Again, you say would call my</p> <p>18 opinions, it means that they are not going</p> <p>19 to rely or decide not to rely on my expert</p> <p>20 opinions. That's up to the jury to decide</p> <p>21 one way or the other.</p> <p>22 I am going to just simply state</p> <p>23 what I've seen in the records. The record</p> <p>24 is full of documents that show that the</p> <p>25 bank knew that there was a fraud going on</p>	<p style="text-align: right;">20</p> <p>1 LOVE</p> <p>2 principals in L&H in this whole scheme of</p> <p>3 developing these fraudulent entities that</p> <p>4 were really phantoms or ghost entities and</p> <p>5 didn't exist in many cases on paper --</p> <p>6 except on paper.</p> <p>7 Q. And do you believe you were in a</p> <p>8 better position than the jury to decide</p> <p>9 what individuals in the bank were thinking</p> <p>10 at the time these transactions took place?</p> <p>11 MS. DYER: Objection to form.</p> <p>12 Hold on. Objection to form.</p> <p>13 Mischaracterizes his prior testimony</p> <p>14 as well.</p> <p>15 A. Again, you say what they were</p> <p>16 thinking, okay? I told you that I was</p> <p>17 saying that based upon the record it</p> <p>18 establishes that at least the person</p> <p>19 writing those records in the credit file</p> <p>20 who were bank employees and officers and</p> <p>21 the general counsel of the bank knew what</p> <p>22 was going on in these entities and how</p> <p>23 the money was being funneled around and</p> <p>24 through and back into the company as</p> <p>25 revenue.</p>
<p style="text-align: right;">19</p> <p>1 LOVE</p> <p>2 and participated in that fraud. The</p> <p>3 knowledge is in the record.</p> <p>4 They deliberately structured the</p> <p>5 loans so that the participation of the L&H</p> <p>6 principal shareholders and managers would</p> <p>7 be hidden from public view; that's what</p> <p>8 I'm going to testify to and the jury's</p> <p>9 going to make up its own mind as a jury or</p> <p>10 any trier of fact will do in any case.</p> <p>11 Q. We're going to go into all these</p> <p>12 transactions in a great deal of detail</p> <p>13 later, but one which I just want to ask</p> <p>14 you about, you said that the bank</p> <p>15 knowingly participated, how can you know</p> <p>16 what people within the bank were thinking</p> <p>17 at the time of these transactions?</p> <p>18 A. I don't know what they were</p> <p>19 thinking, I know what they put on paper,</p> <p>20 and documentary evidence clearly shows</p> <p>21 they were aware of the fact that L&H was</p> <p>22 recording income on transactions that they</p> <p>23 should not have been recording them on,</p> <p>24 recording them on, and that that was</p> <p>25 caused by the participation of the</p>	<p style="text-align: right;">21</p> <p>1 LOVE</p> <p>2 Q. I understand that you are very</p> <p>3 convinced that there was a fraud and that</p> <p>4 my client was responsible for it, sir. My</p> <p>5 question is do you have any way of knowing</p> <p>6 what people were thinking back at the time</p> <p>7 of those transactions?</p> <p>8 MS. DYER: Objection. Asked and</p> <p>9 answered.</p> <p>10 A. Counselor, with all due respect,</p> <p>11 I think I've answered that a number of</p> <p>12 times. I'll say it again if you want me</p> <p>13 to say it on the record.</p> <p>14 I'm not saying what they were</p> <p>15 thinking. I'm saying that the record</p> <p>16 shows that they knew because if in a</p> <p>17 record you say that you have to do</p> <p>18 something and hide something so that</p> <p>19 someone can show revenue, which they would</p> <p>20 not otherwise be able to show, that is at</p> <p>21 least documentary support of knowledge on</p> <p>22 the part of the bank. What they were</p> <p>23 thinking when they wrote that I don't</p> <p>24 know, but they wrote it.</p> <p>25 Q. Have you ever been admonished by</p>

6 (Pages 18 to 21)

<p style="text-align: right;">22</p> <p>1 LOVE</p> <p>2 a Court not to testify as an expert about</p> <p>3 what people were thinking?</p> <p>4 MS. DYER: Objection to form.</p> <p>5 A. There was a Daubert motion in</p> <p>6 one case but the Court said, and it was</p> <p>7 Judge Chin as I recall, that Mr. Love</p> <p>8 never said he was going to testify as to</p> <p>9 intent and that he -- he ruled against the</p> <p>10 Daubert motion and stated that counsel</p> <p>11 would have an opportunity to bring that up</p> <p>12 as a motion -- as an objection if I was</p> <p>13 asked any question at trial.</p> <p>14 Q. When you say he denied the</p> <p>15 Daubert motion, he didn't exclude your</p> <p>16 testimony completely from the case?</p> <p>17 A. He didn't exclude any of my</p> <p>18 testimony from the case. He said I could</p> <p>19 testify and that if -- and that the</p> <p>20 counsel, opposing counsel, could object at</p> <p>21 any time to any of the questions that were</p> <p>22 asked.</p> <p>23 Q. Did he instruct or did he give</p> <p>24 an indication on his opinion on the matter</p> <p>25 that you would not be able to testify</p>	<p style="text-align: right;">24</p> <p>1 LOVE</p> <p>2 has a hierarchy of GAAP, and there are</p> <p>3 approximately five levels of GAAP.</p> <p>4 Q. Could you tell me what those</p> <p>5 five levels are?</p> <p>6 A. The first level, the highest</p> <p>7 level, are the pronouncements of the</p> <p>8 Financial Accounting Standards Board, the</p> <p>9 opinions of APB's, Accounting Principle</p> <p>10 Board opinions, and there are a couple of</p> <p>11 other slowly being outdated authorities;</p> <p>12 and then as you go down lower and lower</p> <p>13 in the hierarchy there are different</p> <p>14 pronouncements or writings by the AICPA,</p> <p>15 the FASB -- and when I say FASB what I'm</p> <p>16 saying is Financial Accounting Standards</p> <p>17 Board, if that's an understanding I can</p> <p>18 use it, it makes it a lot shorter than</p> <p>19 having to repeat the words all the time.</p> <p>20 Q. Sure.</p> <p>21 A. Okay.</p> <p>22 The AICPA is the American</p> <p>23 Institute of Certified Public Accountants</p> <p>24 and they have a group that will promulgate</p> <p>25 accounting principles. They are not --</p>
<p style="text-align: right;">23</p> <p>1 LOVE</p> <p>2 about certain matters?</p> <p>3 MS. DYER: Objection to form.</p> <p>4 A. Not that I recall.</p> <p>5 Q. What is U.S. GAAP?</p> <p>6 A. U.S. GAAP is the conventions,</p> <p>7 rules and procedures that are used in</p> <p>8 formulating GAAP. U.S. GAAP means it's</p> <p>9 GAAP, generally accepted accounting</p> <p>10 principles, as practiced in the United</p> <p>11 States, and that's the conventions, the</p> <p>12 rules and the standards, the practice, so</p> <p>13 to speak, of how people account for</p> <p>14 economic events on the records -- books</p> <p>15 and records of a company, summarize them</p> <p>16 and display them on financial statements</p> <p>17 or make disclosure and notes to those</p> <p>18 financial statements.</p> <p>19 Q. Are there authoritative sources</p> <p>20 of U.S. GAAP?</p> <p>21 A. There are various levels of</p> <p>22 sources of U.S. GAAP. Statement on</p> <p>23 Auditing Standard 69, the meaning of</p> <p>24 "fairly presents in accordance with</p> <p>25 generally accepted accounting principles"</p>	<p style="text-align: right;">25</p> <p>1 LOVE</p> <p>2 they're not as high in the hierarchy, of</p> <p>3 course, as the FASB, which is the highest;</p> <p>4 and it goes down through various things,</p> <p>5 including the concepts, financial</p> <p>6 accounting concepts is a lot lower,</p> <p>7 there's currently a project to make them a</p> <p>8 part of GAAP, right now they're not a part</p> <p>9 of GAAP -- they are a part of GAAP, I'm</p> <p>10 sorry, but they're not a part of the first</p> <p>11 level GAAP, and textbooks written by</p> <p>12 professors, all in here at a lower level,</p> <p>13 and the issue and the application of GAAP,</p> <p>14 or generally accepted accounting</p> <p>15 principles -- again, I'm using an acronym</p> <p>16 GAAP, G-A-A-P -- is you start at the top</p> <p>17 and you work your way down to the bottom,</p> <p>18 you use an analogous GAAP in a situation</p> <p>19 where there is no GAAP in that situation</p> <p>20 as well.</p> <p>21 Q. Is U.S. GAAP different in some</p> <p>22 respects from the accounting principles</p> <p>23 that prevail in Europe?</p> <p>24 A. Yes.</p> <p>25 MR. BUTLER: Would you mark this</p>

7 (Pages 22 to 25)

<p style="text-align: right;">26</p> <p>1 LOVE</p> <p>2 as the first exhibit.</p> <p>3 (Whereupon, the above-mentioned</p> <p>4 Preliminary Expert Witness Report of</p> <p>5 Vincent J. Love dated January 4, 2007</p> <p>6 was marked Love Exhibit 1 for</p> <p>7 identification.)</p> <p>8 Q. I've marked as Exhibit 1 what I</p> <p>9 believe is copy of your report in this</p> <p>10 case.</p> <p>11 Can you just confirm that this</p> <p>12 is a copy of your preliminary expert</p> <p>13 witness report dated January 4, 2007?</p> <p>14 (Witness peruses exhibit.)</p> <p>15 A. It appears to be that, yes.</p> <p>16 Q. Well, I just want you to have</p> <p>17 that in front of you in case you need to</p> <p>18 refer to it.</p> <p>19 A. Yes.</p> <p>20 Q. I notice you brought some other</p> <p>21 documents here today. Can you tell me</p> <p>22 what you brought with you.</p> <p>23 A. Sure.</p> <p>24 I brought my preliminary report</p> <p>25 and the -- my rebuttal report. I also</p>	<p style="text-align: right;">28</p> <p>1 LOVE</p> <p>2 MR. BUTLER: Let me mark this as</p> <p>3 the next exhibit.</p> <p>4 (Whereupon, the above-mentioned</p> <p>5 letter dated 2/11/07 with attachment</p> <p>6 was marked Love Exhibit 2 for</p> <p>7 identification.)</p> <p>8 MR. BUTLER: I've marked as</p> <p>9 Exhibit 2 a letter dated February 11,</p> <p>10 2007 which attaches a document</p> <p>11 entitled Amended Exhibit 3 to</p> <p>12 Preliminary Expert Witness report</p> <p>13 of Vincent J. Love.</p> <p>14 Q. Sir, have you seen this</p> <p>15 attachment, the amendment, the Amended</p> <p>16 Exhibit 3 before?</p> <p>17 A. Yes.</p> <p>18 Q. Does this exhibit, in fact,</p> <p>19 reflect the documents that you considered</p> <p>20 in preparing your report?</p> <p>21 A. Yes.</p> <p>22 Q. To the best of your knowledge</p> <p>23 are there any documents that you</p> <p>24 considered in preparing your report that</p> <p>25 are not referenced in this Amended Exhibit</p>
<p style="text-align: right;">27</p> <p>1 LOVE</p> <p>2 brought some documents, some that we</p> <p>3 recently discovered, some that were there</p> <p>4 all along and that we've looked at in the</p> <p>5 past, FAS 68, couple of bank documents</p> <p>6 that are footnoted in my report, and I</p> <p>7 have the report; I know you're going to be</p> <p>8 interested in the tabs, I've tabbed</p> <p>9 certain sections of the report to show me</p> <p>10 where different things start and end.</p> <p>11 I've made cross-referencing in</p> <p>12 my report to some bullet points that I</p> <p>13 have to where in the text you discuss that</p> <p>14 particular point so that the support is</p> <p>15 all there for that particular point for</p> <p>16 the purposes of making this as efficient</p> <p>17 and effective a deposition as possible.</p> <p>18 Q. I understand. Well, feel free</p> <p>19 to refer to either version of your report</p> <p>20 during the course of the day and to the</p> <p>21 extent you need to look or find it helpful</p> <p>22 to look at other documents we will deal</p> <p>23 with that as it arises.</p> <p>24 A. And I'll identify them as I do,</p> <p>25 yes.</p>	<p style="text-align: right;">29</p> <p>1 LOVE</p> <p>2 3?</p> <p>3 A. You know, I've looked at a lot</p> <p>4 of documents. These were the documents</p> <p>5 that we've identified. A lot of them are</p> <p>6 specifically relevant to the report but</p> <p>7 there are others that may be relevant and</p> <p>8 we're continuing to look at documents.</p> <p>9 Very difficult to say. But at</p> <p>10 the time we prepared this report -- this</p> <p>11 was prepared by people who worked for</p> <p>12 me -- it was the documents that we had</p> <p>13 looked at during the period of time prior</p> <p>14 to my report.</p> <p>15 Q. Were there any other documents,</p> <p>16 prior to preparing your report, that you</p> <p>17 considered in reaching the opinions that</p> <p>18 you expressed in your report?</p> <p>19 A. Well, I considered all of U.S.</p> <p>20 GAAP and any GAAP document, I referred to</p> <p>21 GAAP documents, I think we've got most of</p> <p>22 them in here, I just want to be certain</p> <p>23 that I'm all inclusive, you know, I don't</p> <p>24 want to leave anything out.</p> <p>25 There were -- there were</p>

8 (Pages 26 to 29)

<p style="text-align: right;">30</p> <p>1 LOVE</p> <p>2 documents that we had were enormous number</p> <p>3 of documents. My office is full of boxes</p> <p>4 we call Beacon boxes -- which was the old</p> <p>5 company that made that box that everyone</p> <p>6 uses -- boxes of documents that are</p> <p>7 involved or that were produced.</p> <p>8 There's a database that is</p> <p>9 available to us with documents that were</p> <p>10 produced in the case.</p> <p>11 So there are -- God, I gotta</p> <p>12 believe that there's at least 100,000, and</p> <p>13 that may be an understatement in the</p> <p>14 number of documents that we had available</p> <p>15 to us; so it's very difficult to say, you</p> <p>16 know, with my precise -- we try to be as</p> <p>17 precise as possible to get everything down</p> <p>18 that we've looked at, certainly everything</p> <p>19 that we reference in our report is</p> <p>20 something that we've looked at and relied</p> <p>21 on.</p> <p>22 Q. Is it fair to say that at</p> <p>23 least you tried to capture all of the</p> <p>24 significant documents that you used in</p> <p>25 formulating the opinions in your report in</p>	<p style="text-align: right;">32</p> <p>1 LOVE</p> <p>2 financial statements?</p> <p>3 MS. DYER: Objection to form.</p> <p>4 A. Under U.S. generally accepted</p> <p>5 accounting principles a company's</p> <p>6 management is responsible for their</p> <p>7 financial statements.</p> <p>8 Q. So in this case L&H's management</p> <p>9 was responsible for the accuracy and</p> <p>10 completeness of its financial statements;</p> <p>11 correct?</p> <p>12 MS. DYER: Objection to form.</p> <p>13 A. They -- it's their financial</p> <p>14 statements, they're responsible for making</p> <p>15 sure that they're complete and accurate.</p> <p>16 If they don't, because there's been fraud</p> <p>17 involved, then the financial statements</p> <p>18 are not complete and accurate and anyone</p> <p>19 who participated in that fraud</p> <p>20 participated in those financial statements</p> <p>21 not being complete and accurate.</p> <p>22 Q. Are you expressing the opinion</p> <p>23 of U.S. GAAP there? Is it U.S. GAAP that</p> <p>24 says that anyone who participated in a</p> <p>25 fraud is responsible for it?</p>
<p style="text-align: right;">31</p> <p>1 LOVE</p> <p>2 this Amended Exhibit 3?</p> <p>3 A. Yes.</p> <p>4 MR. BUTLER: Let's mark this as</p> <p>5 the next exhibit.</p> <p>6 (Whereupon, the above-mentioned</p> <p>7 Expert Witness Preliminary Rebuttal</p> <p>8 Report of Vincent J. Love dated</p> <p>9 February 16, 2007 was marked Love</p> <p>10 Exhibit 3 for identification.)</p> <p>11 MR. BUTLER: I've marked as</p> <p>12 Exhibit 3 what I believe is the</p> <p>13 rebuttal report that you prepared that</p> <p>14 is dated February 16, 2007.</p> <p>15 Q. Could you just look that over</p> <p>16 and tell me if that, in fact, is your</p> <p>17 rebuttal report in this case.</p> <p>18 (Witness peruses exhibit.)</p> <p>19 A. Yes, it is, as far as I can tell</p> <p>20 without reading all, but I'm sure that it</p> <p>21 is, relatively sure.</p> <p>22 Q. Do you agree that under U.S.</p> <p>23 GAAP a company's management is responsible</p> <p>24 for the accuracy and completeness of the</p> <p>25 information contained in the company's</p>	<p style="text-align: right;">33</p> <p>1 LOVE</p> <p>2 MS. DYER: Objection to form.</p> <p>3 Can you read back the question,</p> <p>4 please.</p> <p>5 If you can understand the</p> <p>6 question you can answer.</p> <p>7 [The requested portion of the</p> <p>8 record was read.]</p> <p>9 MS. DYER: Objection to form.</p> <p>10 A. Management is responsible for</p> <p>11 their financial statements. There are</p> <p>12 standards on auditing that relate to</p> <p>13 fraud, there are standards that say that</p> <p>14 fraud -- that the audit is not designed to</p> <p>15 discover fraud where there is collusion by</p> <p>16 third parties or with third parties to</p> <p>17 perpetrate the fraud.</p> <p>18 Now, I don't remember, I just</p> <p>19 want to clarify something here, we're not</p> <p>20 talking about U.S. GAAP, generally</p> <p>21 accepted accounting principles, any more,</p> <p>22 we're talking about U.S. GAAS, G-A-A-S,</p> <p>23 generally accepted auditing standards.</p> <p>24 Q. So my question is specifically</p> <p>25 to U.S. GAAP, sir, is there anything in</p>

9 (Pages 30 to 33)

<p style="text-align: right;">34</p> <p>1 LOVE</p> <p>2 U.S. GAAP that indicates that anyone other</p> <p>3 than the company's management is</p> <p>4 responsible for the financial statements</p> <p>5 of the company?</p> <p>6 MS. DYER: Objection to form.</p> <p>7 Objection, calls for a legal</p> <p>8 conclusion.</p> <p>9 A. I'm sorry.</p> <p>10 MR. BUTLER: Excuse me. How</p> <p>11 does that call for a legal conclusion?</p> <p>12 I asked him expressly about U.S. GAAP.</p> <p>13 MS. DYER: You are asking for an</p> <p>14 interpretation of GAAP in the context</p> <p>15 of a legal question.</p> <p>16 How are you using the term</p> <p>17 "responsible"?</p> <p>18 MR. BUTLER: Is this witness not</p> <p>19 an expert on U.S. GAAP?</p> <p>20 MS. DYER: This witness is not</p> <p>21 an expert on legal issues and I</p> <p>22 believe your question seeks a legal</p> <p>23 answer.</p> <p>24 MR. BUTLER: Fair enough. Let</p> <p>25 me clarify.</p>	<p style="text-align: right;">36</p> <p>1 LOVE</p> <p>2 financial statements?</p> <p>3 MS. DYER: Same objection.</p> <p>4 A. The answer would be the same as</p> <p>5 it was before under GAAP because I had --</p> <p>6 I'm sorry, I apologize, I was thinking</p> <p>7 GAAS when you said GAAP.</p> <p>8 Q. I understand, I confuse them</p> <p>9 myself. So let me just make sure the</p> <p>10 record is clear.</p> <p>11 Under GAAS it's your under-</p> <p>12 standing that a company's management is</p> <p>13 responsible for the accuracy and</p> <p>14 completeness of the company's financial</p> <p>15 statements; correct?</p> <p>16 MS. DYER: Objection. Objection</p> <p>17 to form.</p> <p>18 A. To the extent -- they are, but</p> <p>19 to the extent that anyone assisted them</p> <p>20 in perpetrating a fraud, they would be</p> <p>21 responsible for the fraud that's contained</p> <p>22 those financial statements.</p> <p>23 Q. Are you referring to a specific</p> <p>24 provision of GAAS when you say that to the</p> <p>25 extent anyone participated in the fraud</p>
<p style="text-align: right;">35</p> <p>1 LOVE</p> <p>2 CONTINUED EXAMINATION BY MR. BUTLER:</p> <p>3 Q. I'm not asking for a legal</p> <p>4 opinion, sir, I'm asking based on your</p> <p>5 understanding of U.S. GAAP is there</p> <p>6 anything in U.S. GAAP that indicates that</p> <p>7 anyone other than the management of a</p> <p>8 company is responsible for the accuracy of</p> <p>9 information in the financial statements?</p> <p>10 MS. DYER: Same objection.</p> <p>11 A. I was going to clarify my</p> <p>12 earlier answers because we had -- I was</p> <p>13 answering for GAAS and not GAAP. GAAP is</p> <p>14 simply, as I defined it before, the</p> <p>15 convention, rules, practices, procedures</p> <p>16 that are used to record economic events in</p> <p>17 the financial statements.</p> <p>18 GAAP does not address</p> <p>19 responsibility for financial statements,</p> <p>20 GAAS addresses responsibility for</p> <p>21 financial statements. That's capital</p> <p>22 G-A-A-S.</p> <p>23 Q. So let me ask the same question</p> <p>24 under GAAS. Under GAAS who is responsible</p> <p>25 for the accuracy and completeness of</p>	<p style="text-align: right;">37</p> <p>1 LOVE</p> <p>2 they would be responsible for the fraud?</p> <p>3 A. It doesn't say it in those</p> <p>4 words.</p> <p>5 Q. Does it say it anywhere, sir?</p> <p>6 MS. DYER: Hold on, let him</p> <p>7 finish. Mr. Love, you didn't appear</p> <p>8 to finish.</p> <p>9 A. What it states in there is that</p> <p>10 the auditor's design of -- the auditor is</p> <p>11 responsible for auditing those financial</p> <p>12 statements and auditing those financial</p> <p>13 statements the auditor can be interfered</p> <p>14 with by a third party to make those</p> <p>15 financial statements appear to conform to</p> <p>16 GAAP when they don't, and the audit is not</p> <p>17 designed to find that type of fraud when</p> <p>18 there's a third party that's involved in</p> <p>19 perpetrating the fraud.</p> <p>20 Q. Does the provision that you just</p> <p>21 cited say anything about whether the third</p> <p>22 party is responsible for the fraud?</p> <p>23 MS. DYER: Objection. Asked and</p> <p>24 answered.</p> <p>25 Q. Because I mean --</p>

10 (Pages 34 to 37)

<p style="text-align: right;">38</p> <p>1 LOVE</p> <p>2 MS. DYER: Objection to form.</p> <p>3 Q. You can answer the question,</p> <p>4 sir, but you've testified now that third</p> <p>5 parties are responsible for the fraud and</p> <p>6 I just want to know if there's any basis</p> <p>7 for that under U.S. GAAP or GAAS.</p> <p>8 A. I --</p> <p>9 MS. DYER: Hold on. Hold on.</p> <p>10 Can you read that question</p> <p>11 back, because I'm not sure if it's</p> <p>12 Mr. Butler testifying or if he's</p> <p>13 asking a question. Go ahead.</p> <p>14 [The requested portion of the</p> <p>15 record was read.]</p> <p>16 MS. DYER: Objection to form.</p> <p>17 A. I think I answered that, under</p> <p>18 U.S. GAAS it's clear that participation of</p> <p>19 a third party in a fraud can circumvent</p> <p>20 and interfere with the auditor and would</p> <p>21 contribute to misleading financial</p> <p>22 statements. In that event that third</p> <p>23 party, because you need that third -- that</p> <p>24 third party in there is really essential</p> <p>25 in many instances to circumventing and</p>	<p style="text-align: right;">40</p> <p>1 LOVE</p> <p>2 to answer your question I had to refer to</p> <p>3 U.S. GAAS, and I said to you that U.S.</p> <p>4 GAAS states that fraud can occur when</p> <p>5 third parties participate in that fraud</p> <p>6 and that that interferes with the auditor</p> <p>7 in filling their responsibilities under</p> <p>8 the standards and then it's plain, simple</p> <p>9 English, not stated that way in there,</p> <p>10 but that who is responsible for the fraud,</p> <p>11 both the company and the third party that</p> <p>12 assisted them in perpetrating the fraud.</p> <p>13 Q. So your opinion, sir, as an</p> <p>14 expert on GAAS is that GAAS says that</p> <p>15 third parties may be responsible for the</p> <p>16 accuracy and completeness of a company's</p> <p>17 financial statements; is that your</p> <p>18 testimony?</p> <p>19 MS. DYER: Objection. Asked and</p> <p>20 answered. Mischaracterizes his</p> <p>21 testimony.</p> <p>22 A. Let's go back to all of them</p> <p>23 again because I've said it to you before.</p> <p>24 Q. Sir, please just answer my</p> <p>25 question.</p>
<p style="text-align: right;">39</p> <p>1 LOVE</p> <p>2 interfering with the auditor, and in</p> <p>3 plain, simple English that third party is</p> <p>4 then going to be responsible.</p> <p>5 Q. What provision of GAAS are you</p> <p>6 referring to?</p> <p>7 MS. DYER: Objection. Asked and</p> <p>8 answered.</p> <p>9 A. If you get me a GAAS book in</p> <p>10 here, and I think it's in section 100 --</p> <p>11 and I don't try to remember cites to</p> <p>12 sections -- where it talks about fraud.</p> <p>13 Q. Please feel free to reference</p> <p>14 your report.</p> <p>15 A. I didn't bring -- I didn't</p> <p>16 bring -- you asked me a question that's</p> <p>17 not in my report, counselor, now you're</p> <p>18 telling me to refer to my report?</p> <p>19 Q. I'm telling you you should feel</p> <p>20 free, sir, to look at your report if it</p> <p>21 would be helpful to you; but if there is</p> <p>22 nothing in your report about it then I</p> <p>23 guess it wouldn't be helpful.</p> <p>24 A. You asked me a question about an</p> <p>25 issue that's not in my report. In order</p>	<p style="text-align: right;">41</p> <p>1 LOVE</p> <p>2 A. I'm trying to answer your</p> <p>3 question.</p> <p>4 MS. DYER: Hold on, Mr. Butler,</p> <p>5 don't interrupt witness.</p> <p>6 MR. BUTLER: I think this</p> <p>7 witness is trying to evade my question</p> <p>8 so I have to interrupt. I'm asking</p> <p>9 him a simple question and I'm getting</p> <p>10 the run-around here and we are not</p> <p>11 going to do this all day.</p> <p>12 MS. DYER: We are going to do</p> <p>13 this all day. I think that you don't</p> <p>14 like the answers and so you continue</p> <p>15 to ask the same question again and</p> <p>16 again and you're going to get the same</p> <p>17 answer and the witness is going to be</p> <p>18 permitted to finish his answer and you</p> <p>19 are not going to interrupt, and if you</p> <p>20 do it's going to be a very long day;</p> <p>21 but this is how it's going to proceed,</p> <p>22 Mr. Butler, not any other way.</p> <p>23 MR. BUTLER: Let me say, sir, I</p> <p>24 apologize if I've interrupted you but</p> <p>25 I don't feel you are answering my</p>

11 (Pages 38 to 41)

<p style="text-align: right;">42</p> <p>1 LOVE</p> <p>2 question and I'm entitled to ask it as</p> <p>3 many times as I need to to get a</p> <p>4 strait answer.</p> <p>5 Let's have my original question</p> <p>6 read back.</p> <p>7 MS. DYER: Mr. Butler, I can</p> <p>8 only assume a "straight answer" means</p> <p>9 giving an answer you want, because I</p> <p>10 think Mr. Love has given you a</p> <p>11 straight an answer as anyone can</p> <p>12 provide to your question.</p> <p>13 MR. BUTLER: We have a</p> <p>14 difference of opinion on that.</p> <p>15 MS. DYER: Well, we do, and</p> <p>16 Mr. Love is here to testify so he's</p> <p>17 going to be the one who ultimately</p> <p>18 answers the question in the manner he</p> <p>19 wants to.</p> <p>20 CONTINUED EXAMINATION BY MR. BUTLER:</p> <p>21 Q. My question, sir, if I remember</p> <p>22 it correctly, and I'll just repeat it, is</p> <p>23 it your opinion as an expert on U.S. GAAP,</p> <p>24 sorry, that U.S. GAAS, that U.S. GAAS says</p> <p>25 that a third party may be responsible for</p>	<p style="text-align: right;">44</p> <p>1 LOVE</p> <p>2 opinion on those financial statements and</p> <p>3 the financial statements are false and the</p> <p>4 auditor does, then the responsibility for</p> <p>5 those financial statements, in my mind, is</p> <p>6 with the parties who perpetrated the</p> <p>7 fraud, whether they be management itself</p> <p>8 alone or people who corroborate --</p> <p>9 collaborate with management in making or</p> <p>10 designing an effective fraud scheme.</p> <p>11 Now, it doesn't say those words</p> <p>12 in the standards, but it's in the standard</p> <p>13 on the, um, on the ability of the auditor</p> <p>14 to determine whether fraud exists is in</p> <p>15 there, as is the statement that management</p> <p>16 is responsible for the financial</p> <p>17 statements.</p> <p>18 Q. Under GAAS is a company's</p> <p>19 outside auditor responsible in any way</p> <p>20 for the accuracy and completeness of a</p> <p>21 company's financial statements?</p> <p>22 MS. DYER: Objection to form.</p> <p>23 A. I think I've answered that in</p> <p>24 the answers to the other questions,</p> <p>25 because I did give you both sides of it,</p>
<p style="text-align: right;">43</p> <p>1 LOVE</p> <p>2 the accuracy and completeness of a</p> <p>3 company's financial statements?</p> <p>4 MS. DYER: Objection. Asked and</p> <p>5 answered.</p> <p>6 A. We'll forget the GAAP/GAAS</p> <p>7 problem, it occurs all the time. If I</p> <p>8 catch it I'll say something about it.</p> <p>9 I'll try and help.</p> <p>10 What I'm telling you is that</p> <p>11 there's a definitive statement within GAAS</p> <p>12 that says management is responsible for</p> <p>13 its financial statements. The auditor is</p> <p>14 responsible for auditing those financial</p> <p>15 statements.</p> <p>16 What I'm also saying, that</p> <p>17 there's standards in GAAP that says that</p> <p>18 the auditor may not find fraud, if it</p> <p>19 exists, if there's third party collusion</p> <p>20 in the -- in the falsification of</p> <p>21 financial statements, and I'm saying that</p> <p>22 it's plain -- it's a plain, simple</p> <p>23 interpretation, that if someone is</p> <p>24 interfering with the audit and the</p> <p>25 auditor's examination in order to give an</p>	<p style="text-align: right;">45</p> <p>1 LOVE</p> <p>2 and I did say that the auditors</p> <p>3 responsible for auditing the financial</p> <p>4 statements.</p> <p>5 Q. Under GAAS is the auditor</p> <p>6 basically absolved of responsibility for a</p> <p>7 fraud if it occurs?</p> <p>8 MS. DYER: Objection to form.</p> <p>9 Do you even understand the question?</p> <p>10 THE WITNESS: Well, it may be a</p> <p>11 legal conclusion.</p> <p>12 MR. BUTLER: Well, Karen, he'll</p> <p>13 tell me, this man is an experienced</p> <p>14 testifying expert, I'm sure he'll tell</p> <p>15 me if he doesn't answer a question, he</p> <p>16 doesn't need you to tell him not to</p> <p>17 understand a question.</p> <p>18 Q. Sir, did you understand the</p> <p>19 question?</p> <p>20 MS. DYER: Can you reread the</p> <p>21 question.</p> <p>22 [The requested portion of the</p> <p>23 record was read.]</p> <p>24 MS. DYER: Objection to form.</p> <p>25 Q. Do you understand my question,</p>

12 (Pages 42 to 45)

<p style="text-align: right;">46</p> <p>1 LOVE</p> <p>2 sir?</p> <p>3 A. I understand the question.</p> <p>4 I think -- I don't want to touch</p> <p>5 on any legal opinion because generally,</p> <p>6 you know, these types of things, failures</p> <p>7 of companies that lead to litigation are</p> <p>8 going to be decided eventually in a legal</p> <p>9 forum, so there is a legal issue at</p> <p>10 stake -- however, however, there are</p> <p>11 certain instances where the standards</p> <p>12 clearly say that the intervention of third</p> <p>13 parties or of false documents, fabricated</p> <p>14 documents, if they exist and they</p> <p>15 interfere with the audit, the auditor</p> <p>16 could perform his audit in accordance with</p> <p>17 generally accepted auditing standards --</p> <p>18 and when I say "generally accepted" in</p> <p>19 GAAP, unless we distinguish, we understand</p> <p>20 that we're taking about U.S. standards</p> <p>21 rather than European standards or</p> <p>22 standards in a particular company, okay --</p> <p>23 that the auditor -- the audits can fail</p> <p>24 because there's been interference with the</p> <p>25 auditor, the auditor's not responsible if</p>	<p style="text-align: right;">48</p> <p>1 LOVE</p> <p>2 do.</p> <p>3 Q. And to do that I assume that</p> <p>4 outside auditors have to have access to</p> <p>5 accurate information about transactions</p> <p>6 that the company's engaged in; is that</p> <p>7 fair to say?</p> <p>8 MS. DYER: Objection to form.</p> <p>9 A. He has to have access, or she</p> <p>10 has to have access, to the books and</p> <p>11 records of the company and all the</p> <p>12 supporting documentation that's available</p> <p>13 to support the entries that are made in</p> <p>14 the books and records.</p> <p>15 It's the way that you're saying</p> <p>16 it sometimes I think is sort of narrow,</p> <p>17 you know, accurate, there could be an</p> <p>18 error in there that could have no effect</p> <p>19 on the financial statements or no material</p> <p>20 effect on the financial statements.</p> <p>21 Q. And under GAAS is it correct to</p> <p>22 say that management is responsible for</p> <p>23 providing accurate information about its</p> <p>24 books and records and transactions that</p> <p>25 it's entered to its outside auditors?</p>
<p style="text-align: right;">47</p> <p>1 LOVE</p> <p>2 that occurs, as long as the auditor has</p> <p>3 followed the GAAS standards.</p> <p>4 Q. Is it fair to say that one of</p> <p>5 the jobs of an auditor is to render an</p> <p>6 opinion as to whether the financial</p> <p>7 statements of the company are fairly</p> <p>8 presented in accordance with GAAP?</p> <p>9 A. Consistently applied.</p> <p>10 Q. Is that a yes, plus consistently</p> <p>11 applied?</p> <p>12 A. I'm just -- there's a</p> <p>13 consistency in application of GAAP in</p> <p>14 financial statements in the auditor's</p> <p>15 report, but may I hear the question again?</p> <p>16 [The requested portion of the</p> <p>17 record was read.]</p> <p>18 A. If he's -- one of the jobs, I</p> <p>19 mean, the auditor can have a lot of jobs,</p> <p>20 and a lot of the auditing firms do a lot</p> <p>21 more than auditing -- if the retention was</p> <p>22 to perform an audit in accordance with</p> <p>23 GAAS and report on the financial</p> <p>24 statements they report on the financial</p> <p>25 statements, that's what they're there to</p>	<p style="text-align: right;">49</p> <p>1 LOVE</p> <p>2 MS. DYER: Objection to form.</p> <p>3 A. Well, it's more than that, I</p> <p>4 mean, you know, management is supposed to</p> <p>5 give you access to the books and records,</p> <p>6 you then confirm, you have third parties</p> <p>7 involved that will reply to you and tell</p> <p>8 you whether something is accurate or not,</p> <p>9 and so that it's more than only</p> <p>10 management; for an audit to work you have</p> <p>11 to have third parties that are being</p> <p>12 honest as well.</p> <p>13 Q. I understand that's your</p> <p>14 opinion, sir, but I'm asking</p> <p>15 specifically --</p> <p>16 A. No, it's not my opinion, you</p> <p>17 didn't ask me -- I'm sorry, I interrupted</p> <p>18 and I should not have done that.</p> <p>19 Q. Whether it's your opinion or</p> <p>20 not, whatever you just said, what I'm</p> <p>21 really asking about is what GAAS says,</p> <p>22 and does GAAS say that management is</p> <p>23 responsible for providing accurate</p> <p>24 information to its outside auditors?</p> <p>25 MS. DYER: Objection, asked and</p>

13 (Pages 46 to 49)

<p style="text-align: right;">50</p> <p>1 LOVE</p> <p>2 answered. The last question answered</p> <p>3 that and that was no, it includes</p> <p>4 other people, and you didn't misspeak,</p> <p>5 the question was asked in that way</p> <p>6 previously, Mr. Butler.</p> <p>7 MR. BUTLER: Karen, you're not</p> <p>8 testifying here. Mr. Love can answer</p> <p>9 these questions, these are about his</p> <p>10 areas of expertise. He did not say</p> <p>11 no, at least -- I may have misheard</p> <p>12 your response.</p> <p>13 Q. So is the answer no, that GAAS</p> <p>14 doesn't say that management is responsible</p> <p>15 for providing accurate information to its</p> <p>16 outside auditors?</p> <p>17 MS. DYER: Objection.</p> <p>18 Mischaracterizes the prior</p> <p>19 testimony.</p> <p>20 A. GAAS says much more than that.</p> <p>21 Q. But, sir, can you answer my</p> <p>22 question.</p> <p>23 A. You are interrupting me.</p> <p>24 MS. DYER: Mr. Butler, please</p> <p>25 stop interrupting.</p>	<p style="text-align: right;">52</p> <p>1 LOVE</p> <p>2 straight and clear so it cannot be used or</p> <p>3 abused in any way, and when you parse out</p> <p>4 one responsibility rather than another,</p> <p>5 you ask a question that's not totally</p> <p>6 susceptible to a yes or no answer.</p> <p>7 There are a lot of people who</p> <p>8 are responsible for giving information to</p> <p>9 an auditor. Management is one of them.</p> <p>10 If you believe that management is not</p> <p>11 giving you accurate and all the</p> <p>12 information, you have a problem and cannot</p> <p>13 do your audit.</p> <p>14 One way you determine whether</p> <p>15 management is giving you all and accurate</p> <p>16 information is to get third party</p> <p>17 confirmation in many areas where third</p> <p>18 parties are involved in the transaction.</p> <p>19 Q. Sir, I'm asking you a simple</p> <p>20 question about what GAAS says.</p> <p>21 Is there a provision of GAAS</p> <p>22 that says that management is responsible</p> <p>23 for providing accurate information to its</p> <p>24 outside auditors?</p> <p>25 MS. DYER: Objection. Asked and</p>
<p style="text-align: right;">51</p> <p>1 LOVE</p> <p>2 MR. BUTLER: I'm asking a yes or</p> <p>3 no question.</p> <p>4 MS. DYER: No, you're not asking</p> <p>5 a yes or no question.</p> <p>6 MR. BUTLER: You answered the</p> <p>7 question but he didn't, you answered</p> <p>8 for Mr. Love; I need it from Mr. Love.</p> <p>9 MS. DYER: He's answering the</p> <p>10 question so don't interrupt him as</p> <p>11 he's answering the question. If you</p> <p>12 don't like the answer you can do</p> <p>13 whatever you want but you need to let</p> <p>14 him get the answer out.</p> <p>15 MR. BUTLER: Let me just reask</p> <p>16 the question to get a clear record.</p> <p>17 CONTINUED EXAMINATION BY MR. BUTLER:</p> <p>18 Q. Sir, does U.S. GAAS state -- I</p> <p>19 don't care whether it says anything else,</p> <p>20 I know it says a lot of things -- but does</p> <p>21 it state, yes or no, that management is</p> <p>22 responsible for providing accurate</p> <p>23 information to its outside auditors?</p> <p>24 MS. DYER: Objection to form.</p> <p>25 A. I too want to get the record</p>	<p style="text-align: right;">53</p> <p>1 LOVE</p> <p>2 answered twice</p> <p>3 A. I'll answer it as many times as</p> <p>4 you want me to answer, it stays the same.</p> <p>5 Yes, but there are other people who are</p> <p>6 involved. A yes or no answer is gonna</p> <p>7 have a muddled answer and not a clear</p> <p>8 answer as to what GAAP calls for or GAAS</p> <p>9 calls for.</p> <p>10 Q. Sir, thank you for answering my</p> <p>11 question that time around. Let me just</p> <p>12 tell you, you can always feel free to</p> <p>13 explain your answers, and I'll try not to</p> <p>14 interrupt you but I would appreciate if I</p> <p>15 ask a yes or no question you try to answer</p> <p>16 yes or no and then provide your</p> <p>17 explanation afterwards.</p> <p>18 A. I will try but often you can't</p> <p>19 answer a lot of questions yes or no</p> <p>20 because it's misleading to answer them yes</p> <p>21 or no, and the last thing I want to do is</p> <p>22 to mislead you or anyone else as to what</p> <p>23 my testimony is in this case.</p> <p>24 Q. Again, feel free to provide as</p> <p>25 much explanation as necessary, but I have</p>

14 (Pages 50 to 53)

<p style="text-align: right;">54</p> <p>1 LOVE</p> <p>2 another yes or no question for you.</p> <p>3 Is there no provision of GAAS</p> <p>4 that says that anyone other than</p> <p>5 management is responsible for providing</p> <p>6 accurate information to the outside</p> <p>7 auditors of a company?</p> <p>8 MS. DYER: Objection. Asked and</p> <p>9 answered.</p> <p>10 A. In the part of the standards on</p> <p>11 competent evidence, evidence is valued --</p> <p>12 is evaluated based upon its source.</p> <p>13 One Of the first or highest</p> <p>14 level would be something you could observe</p> <p>15 or count yourself, like inventory. Very</p> <p>16 close to that is third party confirmation</p> <p>17 of particulars related to a transaction or</p> <p>18 an account balance.</p> <p>19 There's a reliance by the</p> <p>20 auditor because of the competence -- the</p> <p>21 supposed competence of that type of</p> <p>22 evidence, of auditing evidence, that the</p> <p>23 third party is being honest and has</p> <p>24 rendered an honest answer to your</p> <p>25 confirmation or your request for</p>	<p style="text-align: right;">56</p> <p>1 LOVE</p> <p>2 even in GAAS are just the standards,</p> <p>3 there's the practice that goes along with</p> <p>4 that and the practice is a part of GAAS.</p> <p>5 GAAS doesn't give the actual</p> <p>6 procedures all the time, it gives you the</p> <p>7 guidelines. There are a few instances</p> <p>8 where they give you actual procedures, but</p> <p>9 overall they give you guidance in</p> <p>10 conducting your audit.</p> <p>11 Q. And my question, sir, is in</p> <p>12 that written guidance that is part of</p> <p>13 GAAS -- I'm not asking about practice, I'm</p> <p>14 asking about the written guidance -- let</p> <p>15 me finish my question -- is there anything</p> <p>16 in that written guidance that says that</p> <p>17 anyone other than management is</p> <p>18 responsible for giving accurate</p> <p>19 information to the company's outside</p> <p>20 auditors?</p> <p>21 MS. DYER: Objection to form.</p> <p>22 Objection, asked and answered.</p> <p>23 A. Since it's important to you and</p> <p>24 to everyone that we get this right, you</p> <p>25 used the word at the beginning about</p>
<p style="text-align: right;">55</p> <p>1 LOVE</p> <p>2 information.</p> <p>3 Q. Sir, is there -- are you aware</p> <p>4 of any specific provision of GAAS that</p> <p>5 indicates that anyone other than</p> <p>6 management is responsible for providing</p> <p>7 accurate information to the company's</p> <p>8 auditors?</p> <p>9 MS. DYER: Objection to form.</p> <p>10 Objection, asked and answered.</p> <p>11 A. You know, I don't know, Mr.</p> <p>12 Butler, how I can help you with this one</p> <p>13 because you don't seem to like the fact</p> <p>14 that auditors rely on and have to rely on</p> <p>15 confirmation from third parties, they rely</p> <p>16 on that.</p> <p>17 The third party should be</p> <p>18 responsible and answer those confirmations</p> <p>19 honestly, if they don't they're</p> <p>20 interfering with the auditor's ability to</p> <p>21 determine whether or not the financial</p> <p>22 statements are stated in accordance with</p> <p>23 generally accepted accounting principles,</p> <p>24 so consequently reading into what's in</p> <p>25 those standards, because the standards</p>	<p style="text-align: right;">57</p> <p>1 LOVE</p> <p>2 written GAAS or something? Was that --</p> <p>3 Can I have the beginning again?</p> <p>4 MS. DYER: Yes, why don't you</p> <p>5 reread the question.</p> <p>6 A. Because I have now lost the</p> <p>7 beginning of that sentence which was</p> <p>8 wrong, because you're really expanding on</p> <p>9 the area that you want to be discussed.</p> <p>10 MS. DYER: Could you reread the</p> <p>11 question, please.</p> <p>12 [The requested portion of the</p> <p>13 record was read.]</p> <p>14 A. Written guidance and GAAS, and</p> <p>15 GAAS is a lot like anything else, like the</p> <p>16 accounting where you have the actual</p> <p>17 standards, statement on auditing</p> <p>18 standards, and then you have a lot</p> <p>19 written -- a lot of literature written by</p> <p>20 auditors based upon experience, based upon</p> <p>21 interpretations that are out in the public</p> <p>22 domain that in order to look at -- each</p> <p>23 one of the major firms have their own</p> <p>24 courses that they give to their people on</p> <p>25 the application of GAAS -- and in there</p>

15 (Pages 54 to 57)

<p style="text-align: right;">58</p> <p>1 LOVE</p> <p>2 that's part of the guidance that you</p> <p>3 receive as an auditor.</p> <p>4 So you're asking a very broad</p> <p>5 question and I'm saying with that broad</p> <p>6 question it's in there somewhere, I'm</p> <p>7 sure.</p> <p>8 Q. Okay, sir, let me break it down</p> <p>9 for you, I think that will be helpful.</p> <p>10 You said there are actual</p> <p>11 statements of standards under GAAS. Is</p> <p>12 there anything in the actual statements of</p> <p>13 standards under GAAS that says that anyone</p> <p>14 other than management is responsible for</p> <p>15 providing accurate information to outside</p> <p>16 auditors?</p> <p>17 MS. DYER: Objection to form.</p> <p>18 Asked and answered.</p> <p>19 A. Statement on Auditing Standards</p> <p>20 is what you refer to them on U.S. GAAS --</p> <p>21 well, the wording that you want</p> <p>22 specifically is not in there. The word --</p> <p>23 the reference to third party confirmations</p> <p>24 and the competency of that information as</p> <p>25 information that the auditor relies on</p>	<p style="text-align: right;">60</p> <p>1 LOVE</p> <p>2 that says a company's outside banker is</p> <p>3 responsible for the company's financial</p> <p>4 statements?</p> <p>5 MS. DYER: Objection to form.</p> <p>6 A. The standards are not meant to</p> <p>7 cover every situation that you run into,</p> <p>8 Counsel, you use the standards in</p> <p>9 practice.</p> <p>10 You asked me a question about</p> <p>11 whether they would be responsible for the</p> <p>12 financial statements. They're not</p> <p>13 responsible, the company is, until they</p> <p>14 make themselves responsible by working</p> <p>15 with the company to falsify the financial</p> <p>16 statements.</p> <p>17 Q. Sir --</p> <p>18 A. If they don't do that, then</p> <p>19 you're right, then -- then the standards</p> <p>20 say that the company is responsible.</p> <p>21 Those standards are written for</p> <p>22 companies that are responsible and do</p> <p>23 prepare honest financial statements. If</p> <p>24 -- you can't take those standards and put</p> <p>25 in every permutation of what can happen to</p>
<p style="text-align: right;">59</p> <p>1 LOVE</p> <p>2 clearly implies that you anticipate that</p> <p>3 third party not lying to you.</p> <p>4 Q. Under the actual statements of</p> <p>5 standards under U.S. GAAS, is there</p> <p>6 anything that indicates that a company's</p> <p>7 principal outside banker is responsible</p> <p>8 for the financial statements of a company?</p> <p>9 MS. DYER: Objection to form.</p> <p>10 A. You have to assume that that</p> <p>11 outside banker is not involved in a fraud</p> <p>12 with the company, so there would be</p> <p>13 nothing in the standards.</p> <p>14 If that outside bank was</p> <p>15 involved in the fraud they would be</p> <p>16 responsible for the fraud that's in those</p> <p>17 financial statements, and that's a reason,</p> <p>18 a judgment, I believe, of any individual,</p> <p>19 they know it's false, they know it's in</p> <p>20 there, they know the statements have been</p> <p>21 disseminated to the public.</p> <p>22 Q. My question, sir, was again</p> <p>23 about these actual statements of standards</p> <p>24 under U.S. GAAS, and my question is, is</p> <p>25 there anything in those actual standards</p>	<p style="text-align: right;">61</p> <p>1 LOVE</p> <p>2 make those financial statements false from</p> <p>3 an outside party.</p> <p>4 Q. Sir, I understand that not every</p> <p>5 permutation is in the standards, but I am</p> <p>6 entitled to ask you about what the</p> <p>7 standards say. And my question is is</p> <p>8 there anything in the written standards</p> <p>9 that says an outside banker is responsible</p> <p>10 for the accuracy and completeness of a</p> <p>11 company's financial statements?</p> <p>12 MS. DYER: Objection. Asked and</p> <p>13 answered three times now.</p> <p>14 A. It's misleading to say that you</p> <p>15 need those words. Those words in there,</p> <p>16 those exact words -- let me finish -- I</p> <p>17 try to let you finish your questions, I</p> <p>18 know I'm supposed to, let me finish my</p> <p>19 answer -- those actual words, okay, that</p> <p>20 you want are not in there, but to say that</p> <p>21 with a yes or no answer is misleading</p> <p>22 because it's saying it implies that the</p> <p>23 outside third party that is involved in</p> <p>24 the fraud is not responsible for the fraud</p> <p>25 in the financial statements.</p>

16 (Pages 58 to 61)

<p style="text-align: right;">62</p> <p>1 LOVE</p> <p>2 Q. In your experience what role</p> <p>3 does a company's principal outside banker</p> <p>4 play in preparing a company's financial</p> <p>5 statements?</p> <p>6 MS. DYER: Objection to form.</p> <p>7 A. Financial statements will be</p> <p>8 prepared by the company in the company's</p> <p>9 accounting personnel.</p> <p>10 MR. BUTLER: Could I hear that</p> <p>11 answer again, please.</p> <p>12 [The requested portion of the</p> <p>13 record was read.]</p> <p>14 THE WITNESS: And, and the</p> <p>15 company's financial personnel. I'm</p> <p>16 sorry.</p> <p>17 Q. So is it your answer, sir, that</p> <p>18 in your experience a principal outside</p> <p>19 banker does not play any role in the</p> <p>20 preparation of a company's financial</p> <p>21 statements?</p> <p>22 MS. DYER: Objection to form.</p> <p>23 A. That's correct, in the</p> <p>24 preparation of the financial statements,</p> <p>25 yes.</p>	<p style="text-align: right;">64</p> <p>1 LOVE</p> <p>2 Q. So is this a source that you</p> <p>3 relied upon for this information?</p> <p>4 A. Yes.</p> <p>5 Q. Did you rely on any other source</p> <p>6 for this information?</p> <p>7 A. Well, for all the information</p> <p>8 that's in here, for the first part of it</p> <p>9 for the years '96 and '97, if you look</p> <p>10 it's referenced to a Footnote 14 that</p> <p>11 reads "This period was not included in the</p> <p>12 restatement discussed in footnote 13</p> <p>13 because L&H's internal investigation did</p> <p>14 not reach back to this time period.</p> <p>15 However, we determined based upon the</p> <p>16 available documents and testimony that</p> <p>17 under U.S. GAAP the amounts reflected for</p> <p>18 1996 and 1997 were improperly recorded."</p> <p>19 Q. Let me rephrase my question,</p> <p>20 sir.</p> <p>21 For the years 1998 and 1999 and</p> <p>22 2000 are you aware of any other source for</p> <p>23 the information that you have represented</p> <p>24 on these two pages?</p> <p>25 A. Right now, you know, with the</p>
<p style="text-align: right;">63</p> <p>1 LOVE</p> <p>2 Q. Sir, I would like to refer you</p> <p>3 to pages 9 and 10 of your initial report,</p> <p>4 and you have some charts showing the</p> <p>5 impact of a proposed restatement on the</p> <p>6 revenue of Lernout & Hauspie; where did</p> <p>7 you get your information on this proposed</p> <p>8 restatement?</p> <p>9 A. If you look there's a footnote</p> <p>10 reference to footnote 13, and it</p> <p>11 references FV001735 and says, These</p> <p>12 revenue restatement amounts were presented</p> <p>13 to the L&H Board of Directors on April 17,</p> <p>14 2001. It is our understanding that</p> <p>15 because of L&H's bankruptcy, restated</p> <p>16 financial statements were never issued.</p> <p>17 The restatement period -- and there's</p> <p>18 quotes around restatement period -- is</p> <p>19 defined as the two and a half years ending</p> <p>20 June 30, 200 -- 2000 which was the period</p> <p>21 presented to the L&H Board of Directors.</p> <p>22 It appears that based on documents I</p> <p>23 reviewed, these corrections were</p> <p>24 appropriate and would have been made had</p> <p>25 the company continued to exist.</p>	<p style="text-align: right;">65</p> <p>1 LOVE</p> <p>2 documents that I have out there, if</p> <p>3 there's another source there may be, but I</p> <p>4 don't know, we used this source as our</p> <p>5 reference.</p> <p>6 MR. BUTLER: Please mark this as</p> <p>7 the next exhibit.</p> <p>8 (Whereupon, the above-mentioned</p> <p>9 document bearing Bates number FV001735</p> <p>10 was marked Love Exhibit 4 for</p> <p>11 identification.)</p> <p>12 Q. Sir, I've handed you a document</p> <p>13 which I've marked as Exhibit 4 bearing</p> <p>14 Bates number FV001735.</p> <p>15 Is this the document that you</p> <p>16 cite for the information provided on pages</p> <p>17 9 and 10?</p> <p>18 A. Yes.</p> <p>19 Q. What is this chart?</p> <p>20 A. It's a breakdown of restatement</p> <p>21 by entity, draft document for management</p> <p>22 discussions purposes only, and it shows</p> <p>23 the Revenue before restatement, L&H, NV</p> <p>24 LDCs, Other, Asia, Korea, U.S., Revenue</p> <p>25 after restatement, Dollar change in the</p>

17 (Pages 62 to 65)

<p style="text-align: right;">66</p> <p>1 LOVE</p> <p>2 restatement, percentage change, and it's</p> <p>3 for first, second, third and fourth</p> <p>4 quarter of 1998; first, second, third and</p> <p>5 fourth quarter of 1999; and the first and</p> <p>6 second quarter of 2000.</p> <p>7 Q. Were you just reading that</p> <p>8 information from this document?</p> <p>9 MS. DYER: Objection to form.</p> <p>10 A. The document speaks for itself.</p> <p>11 Yes, I read it from the document.</p> <p>12 Q. Do you have any independent</p> <p>13 understanding of what this document is,</p> <p>14 aside from what you read on the page?</p> <p>15 MS. DYER: Objection to form.</p> <p>16 A. It was a document that was in</p> <p>17 discovery and it was a document that was</p> <p>18 presented to the L&H's Board of Directors</p> <p>19 on April 17, 2001.</p> <p>20 Q. Who produced the document in</p> <p>21 discovery?</p> <p>22 A. I don't know who produced it in</p> <p>23 discovery. It's in discovery, it's in the</p> <p>24 hundreds of thousands of documents that we</p> <p>25 received.</p>	<p style="text-align: right;">68</p> <p>1 LOVE</p> <p>2 Directors, so we're using the business</p> <p>3 records of the company, and that's the</p> <p>4 basis of our use for it.</p> <p>5 Q. You say this was a business</p> <p>6 record of the company that was prepared in</p> <p>7 the ordinary course of business; do you</p> <p>8 know who prepared this document?</p> <p>9 A. I don't know who prepared it.</p> <p>10 I don't know the name of the person who</p> <p>11 prepared it. It was presented to the</p> <p>12 Board of Directors.</p> <p>13 It's a business record used in</p> <p>14 the ordinary course of the business -- of</p> <p>15 conducting business by L&H, and it was</p> <p>16 L&H, after the fraud that was discovered</p> <p>17 and it was then by people -- let me just</p> <p>18 try to get -- yeah, who were outside of</p> <p>19 the fraudulent transactions who were</p> <p>20 reporting to the Board on what they found.</p> <p>21 Now, I don't know who prepares a</p> <p>22 whole set of financial statements. I know</p> <p>23 the company you're telling me is</p> <p>24 responsible for it, but there could be</p> <p>25 tens and twenties of people preparing it.</p>
<p style="text-align: right;">67</p> <p>1 LOVE</p> <p>2 Q. But this is the one document you</p> <p>3 relied on to determine how much of L&H's</p> <p>4 revenue should be restated; correct?</p> <p>5 A. This is the document we relied</p> <p>6 on, yes.</p> <p>7 Q. Do you know who prepared this</p> <p>8 document?</p> <p>9 A. No.</p> <p>10 Q. Do you know what methodologies</p> <p>11 they used to prepare this document?</p> <p>12 MS. DYER: Objection to form.</p> <p>13 A. No.</p> <p>14 Q. Did you do anything to verify</p> <p>15 the accuracy of the figures contained in</p> <p>16 this chart?</p> <p>17 A. Those figures relate to the LDCs</p> <p>18 that are at issue here. We -- we looked</p> <p>19 at other documents for those amounts, to</p> <p>20 see that those amounts -- we were</p> <p>21 satisfied that those amounts -- that those</p> <p>22 amounts were correct.</p> <p>23 This is also a document that was</p> <p>24 used in the ordinary course of business,</p> <p>25 because it was presented to the Board of</p>	<p style="text-align: right;">69</p> <p>1 LOVE</p> <p>2 You look at the records that</p> <p>3 are maintained in the ordinary course of</p> <p>4 business, and I said that's what we did</p> <p>5 with this.</p> <p>6 Q. Sir, you indicated I think in</p> <p>7 your answer that this was prepared by</p> <p>8 people who were not involved in the fraud;</p> <p>9 is that what you said?</p> <p>10 A. It's my belief that they're not</p> <p>11 involved. It's too far after the date,</p> <p>12 um, they may have been. They may have</p> <p>13 been retained, you know, you retain people</p> <p>14 sometimes, you know they were involved.</p> <p>15 So they may, they may have been.</p> <p>16 But I see no problem with that.</p> <p>17 They put together this and I'm able to</p> <p>18 tell the numbers are right on here, some</p> <p>19 of the numbers are right that I can</p> <p>20 directly look at. We've looked at some of</p> <p>21 the Asian, the Korean numbers, the U.S.</p> <p>22 number in other documents.</p> <p>23 Did I audit this? No, I didn't</p> <p>24 audit it. I don't intend to audit. I</p> <p>25 don't think that's my purpose. This was a</p>

18 (Pages 66 to 69)

<p style="text-align: right;">70</p> <p>1 LOVE</p> <p>2 document presented to the company in the</p> <p>3 ordinary course of business.</p> <p>4 Q. Sir, I believe you read at the</p> <p>5 top it says, quote, "Draft document - for</p> <p>6 management discussion purposes only"; do</p> <p>7 you see that?</p> <p>8 A. That's right. It went to the</p> <p>9 Audit Committee of the Board of Directors.</p> <p>10 Q. Do you know whether a final</p> <p>11 version of this chart was ever prepared?</p> <p>12 A. No, if it's in the documents --</p> <p>13 if you give me the number I'll go look at</p> <p>14 it and if it's any different I'll</p> <p>15 determine what caused the difference and</p> <p>16 if it's more reliable I'll use that</p> <p>17 instead of this.</p> <p>18 Q. You said that you performed some</p> <p>19 procedures to verify the accuracy of some</p> <p>20 of these numbers, I think you referenced</p> <p>21 to the lines --</p> <p>22 A. We didn't perform specific</p> <p>23 procedures, but going through our work we</p> <p>24 could see where some of the numbers came</p> <p>25 from.</p>	<p style="text-align: right;">72</p> <p>1 LOVE</p> <p>2 Q. Those are two of the numbers</p> <p>3 that you are able to verify?</p> <p>4 A. Right. Well, then you do 22,</p> <p>5 and then there's a 19, which is different</p> <p>6 because when you get into '99, I believe</p> <p>7 we have some of the Asian fraud that was</p> <p>8 patterned on the way they committed the</p> <p>9 fraud in Europe creeping in, so there are</p> <p>10 differences as well there, because '99 the</p> <p>11 fraud, and this, because this is I believe</p> <p>12 the total fraud we're talking about, and</p> <p>13 this whole fraud began in one place and</p> <p>14 then blossomed out into the rest of the</p> <p>15 world and Europe and a lot of the pattern</p> <p>16 that was designed in Europe was used in</p> <p>17 Asia, so this is the total, okay?</p> <p>18 So we had other LDCs coming in,</p> <p>19 we had other items coming into play from</p> <p>20 outside of Europe, and we're just talking</p> <p>21 in this report about Dexia's participation</p> <p>22 in designing that fraud that was a pattern</p> <p>23 for the remainder of the LDC type of fraud</p> <p>24 that was -- that occurred.</p> <p>25 I have to get down into the</p>
<p style="text-align: right;">71</p> <p>1 LOVE</p> <p>2 Q. So that was my question. Which</p> <p>3 numbers were you able to see where they</p> <p>4 came from based on procedures that you did</p> <p>5 perform?</p> <p>6 A. Let me go through, you know, the</p> <p>7 report, because there are a lot of places</p> <p>8 in the report. It was basically the LDC</p> <p>9 line is one area where we can do that.</p> <p>10 This is -- this is the overall</p> <p>11 fraud that was perpetrated rather than the</p> <p>12 fraud that occurred at the company at that</p> <p>13 time.</p> <p>14 Page 14 of the report really</p> <p>15 breaks down the two years and the LDCs in</p> <p>16 those two years.</p> <p>17 Q. Sir, are you saying that page 14</p> <p>18 has the same numbers?</p> <p>19 A. If you look at 9 and 12 and 21</p> <p>20 from '98 --</p> <p>21 MS. DYER: You are reading from</p> <p>22 page 14?</p> <p>23 THE WITNESS: Well, on both</p> <p>24 pages, if you look at the LDC line on</p> <p>25 both pages.</p>	<p style="text-align: right;">73</p> <p>1 LOVE</p> <p>2 specifics, and of course, like I said,</p> <p>3 '98 is right because that's where it all</p> <p>4 occurred in one place.</p> <p>5 In the later years it does have</p> <p>6 the European in there, so that -- it does</p> <p>7 have the Asian fraud in there so that</p> <p>8 would not be in my report 'cause I only</p> <p>9 focus on the -- since this was a case</p> <p>10 against Dexia -- the fraud that was</p> <p>11 perpetrated with the design that was</p> <p>12 created by L&H and Dexia and had Dexia</p> <p>13 lend loans involved in it.</p> <p>14 Q. Okay. You say your -- your</p> <p>15 investigation and your project here only</p> <p>16 focused on the fraud that Dexia was</p> <p>17 involved in; is that what you just said?</p> <p>18 A. In the overall fraud that comes</p> <p>19 from a number of different places, and</p> <p>20 there was work that we did by reviewing</p> <p>21 documents in different places or from</p> <p>22 that. We look at the Bryan Cave report</p> <p>23 that said there was fraud. We saw the</p> <p>24 fraud that they were talking about and the</p> <p>25 numbers that were in there.</p>

19 (Pages 70 to 73)

<p style="text-align: right;">74</p> <p>1 LOVE</p> <p>2 We looked at KPMG when they came</p> <p>3 in and did a study or an examination that</p> <p>4 they had to do on the Belgian regulatory</p> <p>5 law of the fraud and the fraud that</p> <p>6 occurred.</p> <p>7 We looked at -- we had access to</p> <p>8 the Belgian authorities that indicted the</p> <p>9 bank for fraud.</p> <p>10 We looked at the SEC charges</p> <p>11 against Dexia to see what they were</p> <p>12 talking about what occurred.</p> <p>13 So a lot of that comes into play</p> <p>14 in the overall fraud that you're talking</p> <p>15 about. A lot of that comes into play here</p> <p>16 in this report. But when you get down to</p> <p>17 the items that we specifically analyzed,</p> <p>18 we specifically analyzed all of those</p> <p>19 instances where Dexia was involved with</p> <p>20 the principals of L&H in perpetrating the</p> <p>21 fraud, so that it does have an overall</p> <p>22 character to it, particularly up front in</p> <p>23 the report, but as you go back into the</p> <p>24 report it's specific to the early fraud</p> <p>25 that occurred that occurred with L&H's</p>	<p style="text-align: right;">76</p> <p>1 LOVE</p> <p>2 What is your basis for believing</p> <p>3 that these corrections reflected in Love</p> <p>4 Exhibit 4 were appropriate and would have</p> <p>5 been made?</p> <p>6 A. Well, there was, again, you</p> <p>7 know, the Bryan Cave report, which didn't</p> <p>8 have all the fraud in it but had fraud in</p> <p>9 it that they had found in it.</p> <p>10 There was the Belgian police</p> <p>11 report that we looked at that talked about</p> <p>12 the fraud and the numbers that were</p> <p>13 involved.</p> <p>14 We had previously looked at the</p> <p>15 Korean fraud, the Singapore fraud and the</p> <p>16 numbers and the magnitude of the numbers</p> <p>17 gave us no cause to believe otherwise.</p> <p>18 As I said earlier, Counsel, I</p> <p>19 want to tell you, I didn't audit this,</p> <p>20 okay? This is a record that's used in the</p> <p>21 ordinary course of business that we have</p> <p>22 used here to determine the amount of</p> <p>23 restatement that would have occurred based</p> <p>24 upon what we know at this point in time</p> <p>25 without conducting an audit, just with</p>
<p style="text-align: right;">75</p> <p>1 LOVE</p> <p>2 principals and the bank.</p> <p>3 Q. Going back to this Exhibit 4,</p> <p>4 so we talked about three numbers that you</p> <p>5 said that tied out with some of the work</p> <p>6 that you did, the nine million figure for</p> <p>7 the LDCs for Q3 1998; the 12 million</p> <p>8 figure for Q4 1999; and the 22 million</p> <p>9 figure for Q1 1999?</p> <p>10 A. That's correct.</p> <p>11 Q. Did I understand that correctly?</p> <p>12 Are there any other numbers on</p> <p>13 this chart that tied out to the work that</p> <p>14 you actually performed?</p> <p>15 A. For this report, no.</p> <p>16 Q. Do you know whose handwriting is</p> <p>17 on this page?</p> <p>18 A. No.</p> <p>19 Q. You say -- you may have read</p> <p>20 this to me earlier as you were reading</p> <p>21 this footnote -- but you say in footnote</p> <p>22 13, quote, "It appears that based on the</p> <p>23 documents I reviewed, these corrections</p> <p>24 were appropriate and would have been made</p> <p>25 had the company continued to exist."</p>	<p style="text-align: right;">77</p> <p>1 LOVE</p> <p>2 conducting an investigation.</p> <p>3 Q. You mentioned the Bryan Cave</p> <p>4 report. Did that Bryan Cave report</p> <p>5 contain figures that tie out with the</p> <p>6 figures on this chart?</p> <p>7 MS. DYER: Objection to form.</p> <p>8 A. The Bryan Cave report was</p> <p>9 prepared at a time that they were unaware</p> <p>10 of the Dexia Bank involvement in the fraud</p> <p>11 and they had cautioned in that report --</p> <p>12 report if there were related party</p> <p>13 activities here that things would change.</p> <p>14 Q. So the answer is no?</p> <p>15 A. No, the answer is not no. And</p> <p>16 please, I'll try not to interrupt you --</p> <p>17 and I know I do it from time to time -- I</p> <p>18 asked you not to interrupt me.</p> <p>19 But from reading the Bryan Cave</p> <p>20 report we can determine by what Bryan Cave</p> <p>21 knew at the time and what they didn't know</p> <p>22 at the time that these numbers were</p> <p>23 reasonable.</p> <p>24 Q. My question, sir, is were there</p> <p>25 numbers in the Bryan Cave report that</p>

20 (Pages 74 to 77)

<p style="text-align: right;">78</p> <p>1 LOVE</p> <p>2 mirrored the numbers in this exhibit?</p> <p>3 MS. DYER: Objection to form.</p> <p>4 Q. Can you answer that question yes</p> <p>5 or no?</p> <p>6 MS. DYER: Objection to form.</p> <p>7 Objection, asked and answered.</p> <p>8 A. I said that the Bryan Cave</p> <p>9 report was written at a time when they</p> <p>10 were unaware of the Dexia involvement in</p> <p>11 the fraud and Dexia lied to them at one</p> <p>12 point in time as well by omission in not</p> <p>13 telling them about the involvement of the</p> <p>14 related parties, so that they didn't know</p> <p>15 that the Dexia fraud was there, they did</p> <p>16 it -- an accounting analysis as if parts</p> <p>17 of this revenue may be taken into income</p> <p>18 and part deferred and not taken in. They</p> <p>19 did not have all of the facts at the time</p> <p>20 they did it.</p> <p>21 But in looking at what they had</p> <p>22 in that report and knowing what happened</p> <p>23 afterwards, we were able to use that</p> <p>24 report to give us comfort that had they</p> <p>25 known this it would have been -- this</p>	<p style="text-align: right;">80</p> <p>1 LOVE</p> <p>2 A. They do because they contain</p> <p>3 parts of the figures that are in there,</p> <p>4 so they are contained within this document</p> <p>5 either separately or in the aggregate, but</p> <p>6 more they're aggregated with other fraud</p> <p>7 that they were unaware of.</p> <p>8 Q. Why didn't you cite those</p> <p>9 provisions in your report?</p> <p>10 A. What provisions?</p> <p>11 MS. DYER: Objection to form.</p> <p>12 Q. The provisions that you just</p> <p>13 referenced that support the numbers that</p> <p>14 are reflected in this chart.</p> <p>15 MS. DYER: Objection to form.</p> <p>16 A. What provisions?</p> <p>17 Q. The provisions of the Bryan Cave</p> <p>18 report that you just referenced, sir.</p> <p>19 MS. DYER: Is your question</p> <p>20 assuming that the Bryan Cave report is</p> <p>21 not cited in here?</p> <p>22 MR. BUTLER: Look, I'll ask the</p> <p>23 questions here, Karen.</p> <p>24 Q. Sir, you just referred to the</p> <p>25 provisions of the Bryan Cave report. You</p>
<p style="text-align: right;">79</p> <p>1 LOVE</p> <p>2 would have been the amounts.</p> <p>3 The Bryan Cave report also</p> <p>4 talked about the Asian amounts that were</p> <p>5 out there that were huge amounts. That</p> <p>6 gave us comfort in understanding the</p> <p>7 numbers, the work we had done in the Korea</p> <p>8 -- in the Korea and in Singapore types of</p> <p>9 fraud, or fraud that would have occurred,</p> <p>10 gave us also that the comfort that the</p> <p>11 magnitude of the numbers that were in here</p> <p>12 were reasonable.</p> <p>13 Again, I did not audit this</p> <p>14 statement. I did not intend to audit it.</p> <p>15 I do not represent it as being audited.</p> <p>16 Q. Are you finished, sir?</p> <p>17 A. Yes.</p> <p>18 MR. BUTLER: I move to strike</p> <p>19 that last answer as nonresponsive.</p> <p>20 Q. Sir, I'm asking a simple</p> <p>21 question. Does the Bryan Cave report</p> <p>22 contain figures that reflect the figures</p> <p>23 that are contained in Love Exhibit 4?</p> <p>24 A. Yes.</p> <p>25 MS. DYER: Objection.</p>	<p style="text-align: right;">81</p> <p>1 LOVE</p> <p>2 said the answer is yes, there are parts of</p> <p>3 the Bryan Cave report that reflect these</p> <p>4 numbers. My question, sir, is why didn't</p> <p>5 you cite them when you were providing the</p> <p>6 support for these charts on page 9 and 10</p> <p>7 of your report?</p> <p>8 MS. DYER: Objection to form.</p> <p>9 THE VIDEOGRAPHER: We're just</p> <p>10 about out of tape, Counsel.</p> <p>11 MR. BUTLER: I'll withdraw the</p> <p>12 question for now and we will go off</p> <p>13 the record to change the tape.</p> <p>14 THE VIDEOGRAPHER: We're off the</p> <p>15 record. This is the end of tape one.</p> <p>16 The time is 10:58.</p> <p>17 (Whereupon, a brief recess was</p> <p>18 taken).</p> <p>19 THE VIDEOGRAPHER: We're back on</p> <p>20 the record. The time is 11:09. This</p> <p>21 is the beginning of tape two.</p> <p>22 CONTINUED EXAMINATION BY MR. BUTLER:</p> <p>23 Q. Sir, I'm not sure where we left</p> <p>24 off when we took the break, but let me</p> <p>25 just ask the question I thought I ended</p>

21 (Pages 78 to 81)

<p style="text-align: right;">82</p> <p>1 LOVE</p> <p>2 with again.</p> <p>3 Are there any provisions in the</p> <p>4 Bryan Cave report that you've referenced</p> <p>5 that reflect the numbers that are</p> <p>6 contained in Love Exhibit 4?</p> <p>7 A. Yeah, and I thought I had</p> <p>8 answered that question.</p> <p>9 I said we looked at the Bryan</p> <p>10 Cave report, we knew they didn't have all</p> <p>11 the information but what we had in there</p> <p>12 gave us comfort that the numbers that we</p> <p>13 were getting here were reasonably correct,</p> <p>14 along with not only the Bryan Cave report</p> <p>15 but the KPMG report and the other work</p> <p>16 that we had done on this continuing fraud</p> <p>17 throughout the world, so that, you know,</p> <p>18 we saw nothing in these numbers that led</p> <p>19 us to believe that they were materially</p> <p>20 misstated in any way.</p> <p>21 But we didn't do -- I didn't do</p> <p>22 an audit, I didn't go down and verify and</p> <p>23 tie in every number, you know; but we did</p> <p>24 look at it to see if it was reasonable to</p> <p>25 accept, it was a record used in the</p>	<p style="text-align: right;">84</p> <p>1 LOVE</p> <p>2 A. The first part of your question</p> <p>3 was that I didn't give you an answer. I</p> <p>4 gave you an answer, you didn't like the</p> <p>5 answer, and that's fine, you can ask me</p> <p>6 again.</p> <p>7 What I did say answers your</p> <p>8 question though, and clearly answers your</p> <p>9 question and doesn't mislead in any way.</p> <p>10 I said that we used the Bryan</p> <p>11 Cave report to verify not the authenticity</p> <p>12 of this but I used the Bryan Cave</p> <p>13 report -- they reported on a lot of the</p> <p>14 same transactions that we had noticed, we</p> <p>15 had, they didn't have a lot, but we used</p> <p>16 the Bryan Cave report to gain some degree</p> <p>17 of comfort that we were going in the right</p> <p>18 direction looking at the wrong -- the</p> <p>19 right numbers, and I've also told you that</p> <p>20 the Bryan Cave numbers may be in here</p> <p>21 where they came to the same conclusion as</p> <p>22 we did having more information than Bryan</p> <p>23 Cave had.</p> <p>24 I think that was -- to give a</p> <p>25 yes or a no would be to say I didn't rely</p>
<p style="text-align: right;">83</p> <p>1 LOVE</p> <p>2 ordinary course of business, we wanted to</p> <p>3 do whatever we felt was necessary so that</p> <p>4 we can reasonably accept it, and we did.</p> <p>5 Q. Sir, I'm asking you a very</p> <p>6 specific question. I don't care about the</p> <p>7 other reports, I'm going to ask you about</p> <p>8 each of them.</p> <p>9 I'm asking you about the Bryan</p> <p>10 Cave report that you referenced. Are</p> <p>11 these actual numbers reflected in the</p> <p>12 Bryan Cave report?</p> <p>13 MS. DYER: Objection, asked and</p> <p>14 answered four times now.</p> <p>15 A. I thought I gave you an answer.</p> <p>16 Q. No, sir, you did not.</p> <p>17 Are these actual numbers</p> <p>18 contained in the Bryan Cave report. You</p> <p>19 said that it was consistent, is what you</p> <p>20 said. You said they were consistent, and</p> <p>21 my question, sir, is are the actual</p> <p>22 numbers there or is it just that they are</p> <p>23 consistent with the Bryan Cave report?</p> <p>24 MS. DYER: Objection, asked</p> <p>25 answer answered.</p>	<p style="text-align: right;">85</p> <p>1 LOVE</p> <p>2 on it, no, that's not true, I did rely on</p> <p>3 the Bryan Cave report to a certain extent,</p> <p>4 as I did on the other reports.</p> <p>5 Q. Sir, that's not my question.</p> <p>6 My only question, and I think it's a very</p> <p>7 simple one, is are these actual numbers</p> <p>8 that are reflected in Love Exhibit 4</p> <p>9 contained anywhere in the Bryan Cave</p> <p>10 report?</p> <p>11 MS. DYER: Objection. Asked and</p> <p>12 answered for the fifth time.</p> <p>13 Q. Do you understand my question?</p> <p>14 A. I understand your question. You</p> <p>15 don't understand my answer.</p> <p>16 Q. Can you give me an answer? Can</p> <p>17 you give me an answer to the question?</p> <p>18 MS. DYER: Mr. Butler, please</p> <p>19 stop badgering the witness. He just</p> <p>20 said he understood the question and</p> <p>21 you didn't understand the answer to</p> <p>22 the question.</p> <p>23 You asked it four times, you've</p> <p>24 asked it now for the fifth time, Mr.</p> <p>25 Butler.</p>

22 (Pages 82 to 85)

<p style="text-align: right;">86</p> <p>1 LOVE</p> <p>2 Don't harass the witness, don't</p> <p>3 badger him and don't cut him off. If</p> <p>4 you want to hear the same answer again</p> <p>5 we can do this, but it's on your</p> <p>6 clock.</p> <p>7 Q. Sir, I'll ask the question again</p> <p>8 and I'll continue to ask it until I get an</p> <p>9 answer.</p> <p>10 Are these numbers that are</p> <p>11 reflected in love Exhibit 4 actually</p> <p>12 contained anywhere in the Bryan Cave</p> <p>13 report that you've referenced in your</p> <p>14 answers?</p> <p>15 MS. DYER: Objection. Asked and</p> <p>16 answered, I believe it may be the</p> <p>17 sixth time now.</p> <p>18 A. The basis for some of these</p> <p>19 numbers were -- was in the Bryan Cave</p> <p>20 report. The understanding of the</p> <p>21 transactions -- that the number of</p> <p>22 transactions that were involved and when,</p> <p>23 what year they occurred in was part of a</p> <p>24 lot of information that we looked at to be</p> <p>25 comfortable with these numbers.</p>	<p style="text-align: right;">88</p> <p>1 LOVE</p> <p>2 Belgian police report was also one of the</p> <p>3 sources that you believe is consistent</p> <p>4 with this chart in Love Exhibit 4. Can</p> <p>5 you tell me what you were referring to?</p> <p>6 A. There was a report done by the</p> <p>7 prosecutor in Belgium that talked about</p> <p>8 the fraud, how it occurred, talked about</p> <p>9 the different companies that were involved</p> <p>10 and these ghost companies or shadow</p> <p>11 companies, shell companies I know is a</p> <p>12 word that has been used at times by</p> <p>13 different people for these entities.</p> <p>14 There was information in there.</p> <p>15 We used that information to</p> <p>16 verify what we had done and that gave us</p> <p>17 more comfort on the numbers that were</p> <p>18 sitting in this report, not the precise</p> <p>19 number but the fact that the fraud was a</p> <p>20 massive fraud and it occurred in these</p> <p>21 particular -- in this particular style by</p> <p>22 the bank.</p> <p>23 Q. So did I hear you correctly,</p> <p>24 sir, that the precise numbers that are</p> <p>25 reflected in here are not, to the best of</p>
<p style="text-align: right;">87</p> <p>1 LOVE</p> <p>2 Q. Sir, I'm not asking for the</p> <p>3 basis for the numbers, I'm asking about</p> <p>4 the actual numbers.</p> <p>5 Are the actual numbers in Love</p> <p>6 Exhibit 4 contained anywhere, to the best</p> <p>7 of your knowledge, in the Bryan Cave</p> <p>8 report?</p> <p>9 MS. DYER: Objection, asked and</p> <p>10 answered.</p> <p>11 A. I gave you my answer to this a</p> <p>12 number of times. If you're saying is</p> <p>13 every single number on here in this format</p> <p>14 or similar format in the Bryan Cave report</p> <p>15 the answer is no, because Bryan Cave did</p> <p>16 not know of the extent of the fraud</p> <p>17 perpetrated by the bank that would have</p> <p>18 increased the number of -- increased the</p> <p>19 amount of fraudulent revenue from what</p> <p>20 they had determined based upon the</p> <p>21 assumption that there was no related party</p> <p>22 activity between L&H and the LDC</p> <p>23 financing.</p> <p>24 Q. Thank you.</p> <p>25 You mentioned previously that a</p>	<p style="text-align: right;">89</p> <p>1 LOVE</p> <p>2 your knowledge, in the report prepared by</p> <p>3 the prosecutors in Belgium?</p> <p>4 A. The precise numbers no, but my</p> <p>5 last answer stands as to how that -- that</p> <p>6 report was used.</p> <p>7 Q. You also referenced, I believe,</p> <p>8 a KPMG report as one of the sources that</p> <p>9 is consistent with this document; what</p> <p>10 were you referring to?</p> <p>11 A. There was a report prepared by</p> <p>12 KPMG, I think it was issued in November or</p> <p>13 December of 2000, it was issued they said</p> <p>14 under some sort of regulatory provision</p> <p>15 that they had to comply with to examine</p> <p>16 what went on and what the fraud was.</p> <p>17 They mentioned some of the</p> <p>18 fraud, and again it's the same way like</p> <p>19 anything else, all of that leads you to</p> <p>20 believe that the magnitude of the fraud</p> <p>21 and the numbers in here are reasonably</p> <p>22 correct, not exactly, not precisely, but</p> <p>23 reasonably, there is a reasonable basis</p> <p>24 for relying on this.</p> <p>25 Q. Just to clarify your answer I</p>

23 (Pages 86 to 89)

<p style="text-align: right;">90</p> <p>1 LOVE</p> <p>2 just want to confirm that the specific</p> <p>3 numbers that are reflected in Love Exhibit</p> <p>4 4 are not necessarily contained in that</p> <p>5 KPMG report; is that correct?</p> <p>6 MS. DYER: Objection to form.</p> <p>7 A. You know, I'd have to look at</p> <p>8 report itself. I don't think the</p> <p>9 exact numbers are in there but, you know,</p> <p>10 in giving that answer I'm giving it as I'm</p> <p>11 sitting here today, and there's a load of</p> <p>12 documents all over, including that report,</p> <p>13 that reflected on what happened here, and</p> <p>14 as I'm sitting here I don't think, because</p> <p>15 they, again, didn't know the extent of the</p> <p>16 fraud as well.</p> <p>17 Q. If you turn to page 8 of your</p> <p>18 report, you have chart on this page</p> <p>19 showing reported and fictitious revenue</p> <p>20 for various years in the first two</p> <p>21 quarters of 2000; do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. Is this document, Love Exhibit</p> <p>24 4, which is FV1735, the source for your</p> <p>25 information about the fictitious revenue</p>	<p style="text-align: right;">92</p> <p>1 LOVE</p> <p>2 A. Right.</p> <p>3 MS. DYER: Objection to form.</p> <p>4 A. The -- the fraud, um, the fraud</p> <p>5 was a massive fraud. We looked at all of</p> <p>6 the aspects of the fraud at other times,</p> <p>7 um, the numbers that are there essentially</p> <p>8 come from here.</p> <p>9 So for the later years, um, this</p> <p>10 is the source. When I say -- I'm sorry,</p> <p>11 I'm not being clear -- for the years '98,</p> <p>12 '99 and the first two quarters, this would</p> <p>13 be the source of that, yes.</p> <p>14 Q. And my question, sir, is there</p> <p>15 any other source that you used for the</p> <p>16 fictitious revenue for Lernout & Hauspie</p> <p>17 as whole?</p> <p>18 MS. DYER: Objection to form.</p> <p>19 A. I don't want to mislead. Look,</p> <p>20 we just didn't take this blindly and put</p> <p>21 it in here. We had seen the amount of</p> <p>22 fraud that was committed in Korea with the</p> <p>23 Korean banks, we had seen the amount of</p> <p>24 fraud that was committed in Singapore with</p> <p>25 the LDCs and LCCDSs and everything else,</p>
<p style="text-align: right;">91</p> <p>1 LOVE</p> <p>2 that's reflected in this chart?</p> <p>3 A. Well, it says '66 and '67 -- so</p> <p>4 '66 and, I'm sorry, '96 and '67 [sic], I</p> <p>5 wish it was '66 and '67, I'd be a lot</p> <p>6 younger now, represent the fraudulent</p> <p>7 revenue recorded by L&H related to</p> <p>8 Dictation Consortium and Brussels</p> <p>9 Translation Group, and that's only</p> <p>10 discussed in the report later on.</p> <p>11 The fictitious revenues for '98</p> <p>12 and 2000 represent the restated revenue</p> <p>13 for all transactions discussed in footnote</p> <p>14 13, which relates back to this document</p> <p>15 (indicating).</p> <p>16 Q. I'm sorry, I made the same</p> <p>17 mistake again. I should have asked is the</p> <p>18 source for the fictitious revenue in 1998,</p> <p>19 1999 and the first two quarters of 2000</p> <p>20 this document which is FV1735?</p> <p>21 A. Yes.</p> <p>22 Q. Do you have any other source for</p> <p>23 your information about fictitious revenue</p> <p>24 in 1998, 1999 and 2000 for Lernout &</p> <p>25 Hauspie as a whole?</p>	<p style="text-align: right;">93</p> <p>1 LOVE</p> <p>2 all the acronyms that were in there.</p> <p>3 We had known the numbers and the</p> <p>4 magnitude of the numbers of them while we</p> <p>5 are preparing this, so it's not blindly</p> <p>6 just preparing it on this, but we did take</p> <p>7 the specific numbers from this report for</p> <p>8 that chart.</p> <p>9 Q. And I'm asking really about the</p> <p>10 specific numbers. I understand the other</p> <p>11 stuff, but did you have any other source</p> <p>12 of information for the specific numbers</p> <p>13 that are reflected in this chart for 1998,</p> <p>14 1999 and the first two quarters of 2000?</p> <p>15 MS. DYER: Objection to form.</p> <p>16 Asked and answered.</p> <p>17 A. That's right, I'm having trouble</p> <p>18 with the question only from the point of</p> <p>19 view or the perspective that I don't want</p> <p>20 to be -- I don't want to mislead anyone to</p> <p>21 think that we didn't do other things in</p> <p>22 other areas to come up with numbers and</p> <p>23 those numbers that were generally in --</p> <p>24 in correspondence with these numbers.</p> <p>25 We used the numbers from this</p>

24 (Pages 90 to 93)

<p style="text-align: right;">94</p> <p>1 LOVE</p> <p>2 report, but we did a lot of work with a</p> <p>3 lot of documents on this fraud and -- and</p> <p>4 we felt comfortable with the numbers that</p> <p>5 we had in here.</p> <p>6 Q. I understand that you felt</p> <p>7 comfortable with them, sir, but my</p> <p>8 question is did you have any other source</p> <p>9 for the specific numbers for 1998, 1999</p> <p>10 and the first two quarters of 2000 that</p> <p>11 you cite in this chart?</p> <p>12 A. As I sit here now, the report</p> <p>13 states that we did it with this document.</p> <p>14 That's my recollection, but then again,</p> <p>15 you know, there are other areas that we</p> <p>16 looked at. We looked at a lot of numbers</p> <p>17 and a lot of documents and over a long</p> <p>18 period of time and I may not remember</p> <p>19 everything that we did that went into</p> <p>20 satisfying yourselves that these numbers</p> <p>21 were okay so that these numbers were okay.</p> <p>22 But these numbers are the</p> <p>23 numbers that I used in that chart</p> <p>24 (indicating). I'm sorry, I'm not being</p> <p>25 clear because let me -- the numbers that</p>	<p style="text-align: right;">96</p> <p>1 LOVE</p> <p>2 like this (indicating.)</p> <p>3 A. 7A? Okay, yes, yes.</p> <p>4 MS. DYER: Can you see it there</p> <p>5 or would you like --</p> <p>6 THE WITNESS: Yes, I have it.</p> <p>7 Q. It appears to me that this</p> <p>8 Exhibit 7A is a chart reporting to</p> <p>9 summarize the impact that the Dexia-</p> <p>10 related transactions, among other</p> <p>11 transactions, had on L&H's revenue; is</p> <p>12 that -- is that accurate?</p> <p>13 A. Yes.</p> <p>14 Q. And you list this document we've</p> <p>15 been talking about, FV1735, as one of the</p> <p>16 sources for the information contained in</p> <p>17 this chart; do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. The only other document that you</p> <p>20 cite is LHSP 22159; do you see that?</p> <p>21 A. Yes.</p> <p>22 MR. BUTLER: Let's mark this as</p> <p>23 the next exhibit.</p> <p>24 (Whereupon, the above-mentioned</p> <p>25 document bearing Bates number</p>
<p style="text-align: right;">95</p> <p>1 LOVE</p> <p>2 are on or the amounts that are on the</p> <p>3 Bates numbered document FV001735 are being</p> <p>4 used in the chart or to prepare the chart</p> <p>5 that's on page 8 of my preliminary report.</p> <p>6 Q. Sir, just going back to my</p> <p>7 original question. My question is are you</p> <p>8 aware, as you sit here today, of any other</p> <p>9 documents that tie out those exact numbers</p> <p>10 for 1998, 1999 and the first two quarters</p> <p>11 of 2000 that you cite in this chart?</p> <p>12 MS. DYER: Objection. Asked and</p> <p>13 answered.</p> <p>14 A. Not that, as I sit here today</p> <p>15 right now, without all of these documents</p> <p>16 in front of me and everything else, no, I</p> <p>17 think the answer is I know of nothing else</p> <p>18 right now.</p> <p>19 Q. If you turn to Exhibit 7A of</p> <p>20 your report, which I believe is the very</p> <p>21 last page, or maybe there are some</p> <p>22 exhibits afterwards, but it's Exhibit 7A.</p> <p>23 MS. DYER: It's the last page.</p> <p>24 Q. It doesn't look like we're on</p> <p>25 the same page. It's the one that looks</p>	<p style="text-align: right;">97</p> <p>1 LOVE</p> <p>2 LHSP22159 was marked Love Exhibit 5</p> <p>3 for identification.)</p> <p>4 MR. BUTLER: I've marked as</p> <p>5 Exhibit 5 a document that bears the</p> <p>6 Bates number on one corner LHSP22159.</p> <p>7 Q. Sir, is this the document that</p> <p>8 you reference as one of your sources for</p> <p>9 Exhibit 7A?</p> <p>10 A. Yes.</p> <p>11 Q. What is this document?</p> <p>12 A. It's a document that Bryan Cave</p> <p>13 had and it's called attorney work product,</p> <p>14 it's a silly title, but it's Attorney Work</p> <p>15 Product Privilege Bryan Cave LLP, is the</p> <p>16 title, and it says "Re Lernout Hauspie</p> <p>17 Speech Products.</p> <p>18 It shows the revenue in U.S.</p> <p>19 dollars, in millions of U.S. dollars. It</p> <p>20 has a breakdown by LDC, XLDC, IA, then it</p> <p>21 puts Korea in there, then it talks about,</p> <p>22 you know, this is a Bryan Cave document,</p> <p>23 the LDC, XLDC, IA and Korea total number.</p> <p>24 So it's from Bryan Cave's papers</p> <p>25 that -- this is one of the documents I was</p>

25 (Pages 94 to 97)

<p style="text-align: right;">98</p> <p>1 LOVE</p> <p>2 saying that, you know, Bryan Cave report,</p> <p>3 the numbers weren't exact, but the numbers</p> <p>4 are important, if you look at the top</p> <p>5 number in -- if you look along the top</p> <p>6 number at least for total revenue, you can</p> <p>7 see the total revenue corresponds with the</p> <p>8 revenue that's on Exhibit 4, and it's why</p> <p>9 I had problems with answering the question</p> <p>10 before because they're probably other</p> <p>11 documents as well that tie in in some</p> <p>12 respect to the numbers, not the exact</p> <p>13 number, this is in millions, this gets you</p> <p>14 down to the actual thousands of numbers.</p> <p>15 So some of the things that are in here are</p> <p>16 -- are in Exhibit 4.</p> <p>17 Q. Do you know who prepared this</p> <p>18 chart, Love Exhibit 5?</p> <p>19 A. Who precisely prepared it? The</p> <p>20 individual?</p> <p>21 Q. Do you know anything about who</p> <p>22 prepared this document?</p> <p>23 A. It comes from Bryan Cave's</p> <p>24 documents. It's Bryan Cave's work</p> <p>25 product. I don't know who prepared it.</p>	<p style="text-align: right;">100</p> <p>1 LOVE</p> <p>2 They went through it with what</p> <p>3 they knew at the time against, most of it</p> <p>4 against SOP 97-2, and determined whether</p> <p>5 or not the revenues should have been</p> <p>6 recorded and should have been deferred.</p> <p>7 Q. Sir, do you know that for a fact</p> <p>8 or are you speculating about what they</p> <p>9 might have done?</p> <p>10 MS. DYER: Objection to form.</p> <p>11 A. Look, if you read their report</p> <p>12 you can see it's in the report. If you</p> <p>13 give me the report I'll point to the</p> <p>14 report where they say what they're doing</p> <p>15 and what guidance they're using to come up</p> <p>16 with the numbers.</p> <p>17 Q. How did you use this document to</p> <p>18 prepare your Exhibit 7A?</p> <p>19 A. Well, it agrees with the top</p> <p>20 numbers in it, um --</p> <p>21 Q. By "the top numbers" you mean</p> <p>22 the reported revenue?</p> <p>23 A. Yes, so we know the total</p> <p>24 revenues numbers, yeah, so we know the</p> <p>25 total revenue number is correct that we're</p>
<p style="text-align: right;">99</p> <p>1 LOVE</p> <p>2 Q. Who is Bryan Cave?</p> <p>3 A. It's a law firm here in New York</p> <p>4 that conducted an investigation that -- at</p> <p>5 request of the Board of Directors of</p> <p>6 Lernout & Hauspie and they used Arthur</p> <p>7 Andersen as their accounting experts.</p> <p>8 Q. Do you know anything about the</p> <p>9 methodology that was used by Bryan Cave to</p> <p>10 prepare this chart?</p> <p>11 A. The methodology from the chart</p> <p>12 is somewhat obvious. They took the total</p> <p>13 revenue, um, they took the LDC revenue</p> <p>14 that they thought was wrong, they took the</p> <p>15 revenue from the different types of these</p> <p>16 shell entities, different titles that they</p> <p>17 had, the alphabet titles, and broke it out</p> <p>18 from what they had, what they knew at the</p> <p>19 time when they were issuing their report.</p> <p>20 Q. Do you know how they went about</p> <p>21 determining whether the revenue was wrong?</p> <p>22 A. Well, in some instances they</p> <p>23 went through an analysis of it not knowing</p> <p>24 the involvement of the related parties and</p> <p>25 Dexia's participation at that time.</p>	<p style="text-align: right;">101</p> <p>1 LOVE</p> <p>2 stating, that we're working with.</p> <p>3 On some of the other numbers</p> <p>4 it's just to determine that there is a</p> <p>5 correlation between those numbers and the</p> <p>6 numbers that are here to a certain extent,</p> <p>7 not completely.</p> <p>8 Q. Well, I see a correlation for Q3</p> <p>9 and Q4, they're the same numbers we talked</p> <p>10 about before, the nine million and the 12</p> <p>11 million, are any other numbers that appear</p> <p>12 to correlate with your Exhibit 7A or with</p> <p>13 the other source that you cite, FV1735?</p> <p>14 A. LDCs non-Dexia related for,</p> <p>15 let's say, the third quarter.</p> <p>16 Q. Sir, where are you reading from?</p> <p>17 A. Oh, I'm sorry, if you go to --</p> <p>18 MS. DYER: Chart 7A.</p> <p>19 A. Have we marked that? No.</p> <p>20 So it's chart 7A, look under</p> <p>21 third quarter, look down under LDCs,</p> <p>22 non-Dexia related 35 -- 23 five,</p> <p>23 23,500,000.</p> <p>24 Q. This is Q3 1999?</p> <p>25 A. Yeah, yeah. I'm sorry, I said</p>

26 (Pages 98 to 101)

<p style="text-align: right;">102</p> <p>1 LOVE</p> <p>2 yeah. I'm sorry about that.</p> <p>3 No, three, two, one total -- no,</p> <p>4 I think it was the same as I said before.</p> <p>5 We used the Bryan Cave numbers. We were</p> <p>6 happy with the top numbers, we were happy</p> <p>7 with the beginning numbers, and I'm trying</p> <p>8 to see if there -- I can't recall if there</p> <p>9 are any other correlations that we had.</p> <p>10 Again, Bryan Cave was in here</p> <p>11 early in this fraud and this report was</p> <p>12 done at the request of the Audit Committee</p> <p>13 of Lernout & Hauspie and had to be done</p> <p>14 quickly. They didn't have all of the</p> <p>15 data, so some of the numbers here may not</p> <p>16 equate to the numbers in the report.</p> <p>17 Usually they would be less than those</p> <p>18 numbers but I -- as I sit here now, it's</p> <p>19 gonna take some time to go through, but</p> <p>20 clearly we looked at these numbers when we</p> <p>21 were doing the report. The top line</p> <p>22 number agrees.</p> <p>23 Q. The top line number meaning the</p> <p>24 report of revenue?</p> <p>25 A. Total revenue number. The total</p>	<p style="text-align: right;">104</p> <p>1 LOVE</p> <p>2 your -- from in front of you.</p> <p>3 If you look at Exhibit 7A, you</p> <p>4 have a line that's labeled "Subtotal of</p> <p>5 adjustments"; does that line reflect the</p> <p>6 total amount of overstated revenue at L&H</p> <p>7 for each quarter?</p> <p>8 A. Yes.</p> <p>9 Q. And that line appears to</p> <p>10 correspond precisely to the line in Love</p> <p>11 Exhibit 4 that's labeled "Dollar change";</p> <p>12 is that correct?</p> <p>13 A. It should. Let me go back to</p> <p>14 Love Exhibit 4. Whoops, I have to get the</p> <p>15 right year. A subtotal into dollar</p> <p>16 change, that's correct.</p> <p>17 Q. So was -- was FV1735 your source</p> <p>18 for this line in Exhibit 7A that's labeled</p> <p>19 "Subtotal of adjustments"?</p> <p>20 A. I think we went over this</p> <p>21 before, you know, this is based upon --</p> <p>22 this being Exhibit 7A I'm looking at -- is</p> <p>23 based upon the information in Bates number</p> <p>24 FV001735.</p> <p>25 Q. Right, and I'm asking --</p>
<p style="text-align: right;">103</p> <p>1 LOVE</p> <p>2 revenue number.</p> <p>3 Q. Sir, let me ask the question</p> <p>4 this way. Is there any information that's</p> <p>5 contained in Love Exhibit 5 that is not</p> <p>6 also contained in Love Exhibit 4?</p> <p>7 MS. DYER: Objection to form.</p> <p>8 MR. BUTLER: Let me withdraw the</p> <p>9 question and ask it in a slightly</p> <p>10 different way.</p> <p>11 Q. Did you use Love Exhibit 5 to</p> <p>12 obtain any information for Exhibit 7A that</p> <p>13 was not contained in Love Exhibit 4?</p> <p>14 MS. DYER: Same objection.</p> <p>15 A. Look, Love -- give me that again</p> <p>16 on the numbers?</p> <p>17 MS. DYER: Can you reread the</p> <p>18 question. Can you reread the</p> <p>19 question, if you would, please.</p> <p>20 [The requested portion of the</p> <p>21 record was read.]</p> <p>22 A. No.</p> <p>23 Q. If you look at Exhibit 7A now --</p> <p>24 I think you can set that Love Exhibit 5</p> <p>25 aside for now -- remove the paperwork from</p>	<p style="text-align: right;">105</p> <p>1 LOVE</p> <p>2 A. Well, it's the same, I mean --</p> <p>3 Q. Sir, my question is simply is</p> <p>4 that, not all of the information -- let me</p> <p>5 ask the question this way -- sir, is all</p> <p>6 of the information contained in Exhibit 7A</p> <p>7 contained in FV1735?</p> <p>8 MS. DYER: Objection to form.</p> <p>9 A. No.</p> <p>10 Q. So my question, sir, I'm trying</p> <p>11 to determine what information came from 7A</p> <p>12 as opposed to from other sources. So my</p> <p>13 question is did the line "Subtotal of</p> <p>14 adjustments," did the information in that</p> <p>15 line come from FV1735?</p> <p>16 A. I said yes, for ninety -- '97 is</p> <p>17 not on Love Exhibit 4. So '97, the year</p> <p>18 '97 is in 7A, so if it's not on four it</p> <p>19 couldn't be the -- the four couldn't be</p> <p>20 the source for 7A.</p> <p>21 Q. Okay. So just to make the</p> <p>22 record clear, the Love Exhibit 4 is the</p> <p>23 source for the "Subtotal of adjustments"</p> <p>24 line in Exhibit 7A starting with 1998 and</p> <p>25 continuing to the end; correct?</p>

27 (Pages 102 to 105)

<p style="text-align: right;">106</p> <p>1 LOVE</p> <p>2 A. That's correct.</p> <p>3 Q. Did you have any other source</p> <p>4 for that total information or was Love</p> <p>5 Exhibit 4 your only source for that</p> <p>6 information?</p> <p>7 MS. DYER: Objection to form.</p> <p>8 A. We're going to get into the</p> <p>9 realm about that. You know, there's other</p> <p>10 information that we looked at. I mean, we</p> <p>11 took it from here basically -- and here</p> <p>12 being Love Exhibit 4 -- and that is the</p> <p>13 same number that's here and this was the</p> <p>14 source of it.</p> <p>15 We also -- I went through a long</p> <p>16 discussion about the other work that we</p> <p>17 did that made us comfortable with this</p> <p>18 document. So that there could be other</p> <p>19 sources that feed into it, but the actual,</p> <p>20 when you look at it, at both of these</p> <p>21 documents, it's obvious that one comes</p> <p>22 from the other or the information in one</p> <p>23 is in the other.</p> <p>24 Q. And, sir, I'm asking just about</p> <p>25 the preparation of this particular chart.</p>	<p style="text-align: right;">108</p> <p>1 LOVE</p> <p>2 have worked for him in preparing this. I</p> <p>3 presume it comes from Mr. Roth to me,</p> <p>4 okay, but he may have had other people</p> <p>5 working on that chart.</p> <p>6 Q. And do you know, as you sit here</p> <p>7 today, whether Mr. Roth used Love Exhibit</p> <p>8 4, for the -- for the "Subtotal</p> <p>9 adjustments" line that's in Exhibit 7A?</p> <p>10 A. Mr. Roth is responsible for that</p> <p>11 report and he has his notes at the bottom</p> <p>12 of that report as to where it comes from,</p> <p>13 the source. So the source is FV001735,</p> <p>14 which is Exhibit 4, that's where it comes</p> <p>15 from.</p> <p>16 Q. My question, sir, is do you know</p> <p>17 whether Mr. Roth used this document as his</p> <p>18 source when he prepared this?</p> <p>19 MS. DYER: Objection to form.</p> <p>20 Asked and answered.</p> <p>21 A. I think I answered the question.</p> <p>22 It's quite obvious, Counsel, if you look</p> <p>23 at it, on the bottom of Exhibit 7A it says</p> <p>24 "Source, FV001735, LHSP022159, adjusted</p> <p>25 for the revenue L&H recorded from the</p>
<p style="text-align: right;">107</p> <p>1 LOVE</p> <p>2 In preparing this particular chart,</p> <p>3 Exhibit 7A, did you use Love Exhibit 4 as</p> <p>4 your source of the information in the</p> <p>5 "Subtotal of adjustments" line?</p> <p>6 MS. DYER: Objection to form.</p> <p>7 Asked and answered.</p> <p>8 A. People working for me -- when I</p> <p>9 say "me," you realize that I'm not doing</p> <p>10 this all myself, that I've got people</p> <p>11 working for me, staff people would be</p> <p>12 putting numbers together into charts and</p> <p>13 everything else -- and the answer is that,</p> <p>14 that basically is, is gonna be how it</p> <p>15 flows.</p> <p>16 Q. Who on your staff prepared this</p> <p>17 chart?</p> <p>18 MS. DYER: Objection to form.</p> <p>19 A. Which chart?</p> <p>20 Q. Sorry, Exhibit 7A.</p> <p>21 Who on your staff prepared</p> <p>22 Exhibit 7A?</p> <p>23 A. Norman Roth is my most senior</p> <p>24 person who worked with me on this. There</p> <p>25 are other people in the office who may</p>	<p style="text-align: right;">109</p> <p>1 LOVE</p> <p>2 shell companies during the period Dexia</p> <p>3 provided financing."</p> <p>4 Q. Sir, I'm not asking you what's</p> <p>5 obvious from reading the document, I'm</p> <p>6 asking you what you know, and please keep</p> <p>7 in mind that you're under oath.</p> <p>8 Do you know whether Mr. Roth</p> <p>9 used as his source for this line in</p> <p>10 Exhibit 7A the "Dollar change" line from</p> <p>11 Love Exhibit 4?</p> <p>12 MS. DYER: Objection to form.</p> <p>13 A. Counselor, I do know I'm under</p> <p>14 oath, you don't have to tell me I'm under</p> <p>15 oath here, because I took the oath at the</p> <p>16 beginning and I'm trying to be as truthful</p> <p>17 as possible, and any insinuation that I'm</p> <p>18 not or any threat to me to answer the way</p> <p>19 you want it answered is misguided.</p> <p>20 I am trying to answer these</p> <p>21 questions as best I can.</p> <p>22 I know that Norman Roth does his</p> <p>23 work well. I review his work and he says</p> <p>24 he took it from this document, I know then</p> <p>25 that he's taken it from this document.</p>

28 (Pages 106 to 109)

<p style="text-align: right;">110</p> <p>1 LOVE</p> <p>2 Q. I take it it's fair to say that</p> <p>3 Mr. Roth would know for sure whether he --</p> <p>4 how he prepared this exhibit?</p> <p>5 MS. DYER: Objection to form.</p> <p>6 Q. Is that true?</p> <p>7 A. It's quite obvious that that's</p> <p>8 true, but he's given the source on the</p> <p>9 document. The documents will speak for</p> <p>10 itself. It gives its source. We try to</p> <p>11 do that as an established practice in our</p> <p>12 business.</p> <p>13 He says that it came from this</p> <p>14 document, that he's adjusted out the Dexia</p> <p>15 portion of it to show the Dexia portion in</p> <p>16 there, as he says at the end of there, and</p> <p>17 that's what -- that's what was done.</p> <p>18 That's the work that I supervised.</p> <p>19 I've got competent people who</p> <p>20 work for me. They don't lie to me, or</p> <p>21 they wouldn't be working for me.</p> <p>22 Q. I understand all that, sir, but</p> <p>23 what I'm trying to find out is are you</p> <p>24 going to be able to answer detailed</p> <p>25 questions about how this chart was</p>	<p style="text-align: right;">112</p> <p>1 LOVE</p> <p>2 some sort of verification or reliability</p> <p>3 to believe that the document that we have</p> <p>4 here, which is Exhibit 4, was reasonable</p> <p>5 and correct -- or reasonably correct --</p> <p>6 and that's the document that was used in</p> <p>7 here with the caveat that he has broken</p> <p>8 out the part of that that was</p> <p>9 specifically -- because the whole thing</p> <p>10 relates to the fraud as it began in</p> <p>11 Europe -- but specifically to the</p> <p>12 Dictation loans and Dictation-related --</p> <p>13 I'm sorry, the Dexia loans and the Dexia-</p> <p>14 related fraud.</p> <p>15 Q. How did Mr. Roth calculate the</p> <p>16 information that's contained in the</p> <p>17 Dictation Consortium line of Exhibit 7A?</p> <p>18 MS. DYER: Objection to form.</p> <p>19 A. From Dictation Consortium</p> <p>20 records.</p> <p>21 Q. Do you know which records he</p> <p>22 used?</p> <p>23 A. I think most of it is all right</p> <p>24 in our report.</p> <p>25 Q. So was Mr. Roth using the</p>
<p style="text-align: right;">111</p> <p>1 LOVE</p> <p>2 prepared?</p> <p>3 MS. DYER: I believe, Mr.</p> <p>4 Butler, he has been answering detailed</p> <p>5 questions about how this chart was</p> <p>6 prepared for about an hour.</p> <p>7 Q. Could you answer my question,</p> <p>8 sir?</p> <p>9 A. I just told you how the chart</p> <p>10 was prepared.</p> <p>11 Q. Do you know whether Mr. Roth had</p> <p>12 any source other than Love Exhibit 4 for</p> <p>13 the information that's in the "Subtotal of</p> <p>14 adjustments" line in Exhibit 7A beginning</p> <p>15 with 1998?</p> <p>16 MS. DYER: Objection to form.</p> <p>17 A. Mr. Roth, just as I, looked at</p> <p>18 documents, and we've looked at a lot</p> <p>19 of documents on this massive fraud that</p> <p>20 occurred with the pattern that was</p> <p>21 established in Europe around the world,</p> <p>22 so, you know, to say that it's just one</p> <p>23 thing, you look, you understand the</p> <p>24 magnitude of it, you identify a magnitude</p> <p>25 in a certain area and so that gives you</p>	<p style="text-align: right;">113</p> <p>1 LOVE</p> <p>2 information in your --</p> <p>3 A. No, look, we wrote the report,</p> <p>4 in that we have information on all of the</p> <p>5 activities of the different companies that</p> <p>6 were getting Dexia loans that had hid the</p> <p>7 true nature of the transaction.</p> <p>8 Those were are shown separately.</p> <p>9 We talk about each one of those loans in</p> <p>10 the body of our report, and then there</p> <p>11 is references to documents that show the</p> <p>12 participation in the fraud, and that is</p> <p>13 what is shown as the quantitative effect</p> <p>14 of simply those, the earlier frauds, the</p> <p>15 pattern for fraud that was going to be</p> <p>16 used in the future.</p> <p>17 Q. So is it fair to say for this</p> <p>18 line on Dictation Consortium I can look</p> <p>19 elsewhere in the body of the report for an</p> <p>20 explanation on how these figures were</p> <p>21 correct?</p> <p>22 A. There will be numbers in there,</p> <p>23 yes.</p> <p>24 Q. Do you have the same</p> <p>25 understanding for the Brussels Translation</p>

29 (Pages 110 to 113)

<p style="text-align: right;">114</p> <p>1 LOVE</p> <p>2 Group line, are the bases for these</p> <p>3 numbers described elsewhere in your</p> <p>4 report?</p> <p>5 A. Yes.</p> <p>6 Q. Okay, how about the LDCs Dexia</p> <p>7 related line, is the basis for the numbers</p> <p>8 contained in this chart contained earlier</p> <p>9 in the body of your report?</p> <p>10 A. In various places in the report,</p> <p>11 yeah. You have to get each one of them</p> <p>12 that were involved and take the numbers</p> <p>13 and see what the flow-through of revenue</p> <p>14 was that was caused by -- directly caused</p> <p>15 by the loans from Dexia to the LDCs, which</p> <p>16 were used to fabricate the revenue.</p> <p>17 Q. Okay, how about the line that's</p> <p>18 labeled "LDCs non-Dexia related," can I</p> <p>19 look somewhere earlier in the body of your</p> <p>20 report to find out how Mr. Roth found the</p> <p>21 numbers that are contained in Exhibit 7A</p> <p>22 for that line?</p> <p>23 MS. DYER: Objection to form.</p> <p>24 A. It's not on the body of the</p> <p>25 report.</p>	<p style="text-align: right;">116</p> <p>1 LOVE</p> <p>2 support the numbers that are in this line</p> <p>3 of Exhibit 7A?</p> <p>4 A. I can't do that right now as I</p> <p>5 sit here today, but I could do that if you</p> <p>6 would like me to do that. But as I sit</p> <p>7 here today I don't have all these</p> <p>8 documents.</p> <p>9 There are thousands of documents</p> <p>10 that are involved, as I said, hundreds of</p> <p>11 thousands of documents, Mr. Butler, that</p> <p>12 are involved in this case.</p> <p>13 Q. Sir, there are not hundreds of</p> <p>14 thousands of documents listed in your</p> <p>15 Amended Exhibit 3?</p> <p>16 A. There are tens of thousands, I</p> <p>17 bet, of documents there. I haven't read</p> <p>18 them all, I'm sorry, I haven't read, gone</p> <p>19 through the listing in there; but there</p> <p>20 are a lot of documents in there and in</p> <p>21 those documents would be documents that</p> <p>22 discuss the frauds -- well, first of all,</p> <p>23 Exhibit 3, you're right, Exhibit 3 may be</p> <p>24 directly related to the fraud that we</p> <p>25 discuss in this preliminary report and not</p>
<p style="text-align: right;">115</p> <p>1 LOVE</p> <p>2 Q. Do you know how Mr. Roth</p> <p>3 arrived at these numbers?</p> <p>4 A. From the other information we</p> <p>5 developed based upon the fraud in LDC and</p> <p>6 CLDCs and LDCs across the world, other</p> <p>7 than those that were Dexia loans; but the</p> <p>8 same pattern of fraud constantly was used</p> <p>9 in the first place, being used continually</p> <p>10 throughout.</p> <p>11 Q. Do you know which specific</p> <p>12 documents Mr. Roth used to -- to obtain</p> <p>13 these numbers in that line, "LDCs</p> <p>14 non-Dexia related"?</p> <p>15 A. Part of the hundreds of</p> <p>16 thousands of documents we have access to</p> <p>17 in the database and in our office.</p> <p>18 Q. Are they listed anywhere in your</p> <p>19 report or in any exhibit to your report?</p> <p>20 Is there any way to find that information?</p> <p>21 A. All the documents we reviewed</p> <p>22 are listed in the exhibit to -- in the</p> <p>23 exhibits to our report.</p> <p>24 Q. So can you point me, as you sit</p> <p>25 here today, to any of the documents that</p>	<p style="text-align: right;">117</p> <p>1 LOVE</p> <p>2 the entire report, the fraud in the</p> <p>3 company.</p> <p>4 There are other documents we</p> <p>5 have in our possession that are documents</p> <p>6 that are related to Singapore and Korea</p> <p>7 and we have, and I believe throughout, the</p> <p>8 documents are there, I can go back and get</p> <p>9 the documents.</p> <p>10 We're not right now in our</p> <p>11 report addressing those other frauds. The</p> <p>12 frauds we're addressing are the frauds up</p> <p>13 at the beginning. Stop the serial killer</p> <p>14 after the first killing and you don't have</p> <p>15 a serial killer.</p> <p>16 These were the most important</p> <p>17 frauds in this fraudulent scheme, this</p> <p>18 worldwide fraudulent scheme.</p> <p>19 Q. Sir, my question is are you</p> <p>20 aware, as you sit here today, of the</p> <p>21 documents that support the numbers that</p> <p>22 are in this line of Exhibit 7A?</p> <p>23 MS. DYER: Objection. Asked and</p> <p>24 answered.</p> <p>25 A. I'm trying to answer that</p>

30 (Pages 114 to 117)

<p style="text-align: right;">118</p> <p>1 LOVE</p> <p>2 question. I'm trying to tell you that</p> <p>3 there are a lot of documents that we have</p> <p>4 that relate to the other fraud.</p> <p>5 Q. My question, sir, is --</p> <p>6 A. That they are not a part of,</p> <p>7 itself, the heart of our report.</p> <p>8 Do I have those documents</p> <p>9 sitting with me now? No. There are</p> <p>10 documents supporting those numbers.</p> <p>11 There's -- you don't like 100,000, so say</p> <p>12 tens of thousands of documents, and in</p> <p>13 those documents there's studies of the</p> <p>14 frauds that were -- that occurred in</p> <p>15 different places.</p> <p>16 Q. Well, sir, if you can't tell me</p> <p>17 what those documents are, who could?</p> <p>18 MS. DYER: Objection to form.</p> <p>19 A. I don't think anyone could</p> <p>20 without a lot of preparation to go back</p> <p>21 now and find those documents, not a lot of</p> <p>22 preparation but at least to call out the</p> <p>23 documents we used from all of the</p> <p>24 documents we have.</p> <p>25 I could tell you if I had the</p>	<p style="text-align: right;">120</p> <p>1 LOVE</p> <p>2 MR. BUTLER: My question --</p> <p>3 MS. DYER: Because all you do,</p> <p>4 of course, is subtract the one number</p> <p>5 from other and you get it. So I'm</p> <p>6 trying to figure out, is it your</p> <p>7 question whether there is a specific</p> <p>8 document that has the number that's</p> <p>9 shown as LDCs non-Dexia related Other?</p> <p>10 Q. I think that's very clear that's</p> <p>11 my question.</p> <p>12 My question, sir, is are there</p> <p>13 documents -- are you aware or is anyone</p> <p>14 within your organization aware of specific</p> <p>15 documents that tie out those numbers,</p> <p>16 because I want to try to understand how</p> <p>17 this chart, which you decided to include</p> <p>18 in your report, was prepared.</p> <p>19 MS. DYER: Other than the</p> <p>20 documents that are identified here?</p> <p>21 MR. BUTLER: Other than the</p> <p>22 documents that are identified, that's</p> <p>23 right.</p> <p>24 MS. DYER: I'm going to object</p> <p>25 to form to the extent your question</p>
<p style="text-align: right;">119</p> <p>1 LOVE</p> <p>2 work that underlied this, the detailed</p> <p>3 work, but I give detailed work to people</p> <p>4 who are under my control and who I</p> <p>5 supervise.</p> <p>6 Q. And would those people be able</p> <p>7 to tell me what the basis for these</p> <p>8 numbers are?</p> <p>9 MS. DYER: Objection to form.</p> <p>10 A. The basis of the numbers are</p> <p>11 the fraud that was committed in these</p> <p>12 different places around the world.</p> <p>13 Q. Sir, --</p> <p>14 A. I don't understand.</p> <p>15 Q. Isn't it correct to say that</p> <p>16 there are specific documents, there are</p> <p>17 specific documents that led Mr. Roth or</p> <p>18 others on your team to decide what the</p> <p>19 numbers in LDCs non-Dexia related line of</p> <p>20 Exhibit 7A are? Isn't that true, there</p> <p>21 are some documents that support this line,</p> <p>22 this line didn't come out of thin air?</p> <p>23 MS. DYER: Is that your</p> <p>24 testimony, Mr. Butler, or is that a</p> <p>25 question?</p>	<p style="text-align: right;">121</p> <p>1 LOVE</p> <p>2 assumes that those documents don't.</p> <p>3 MR. BUTLER: Well, Karen, thank</p> <p>4 you for trying to suggest an answer to</p> <p>5 the witness.</p> <p>6 Q. Mr. Love, do you think these</p> <p>7 numbers are contained in FV1735?</p> <p>8 A. Excuse me?</p> <p>9 Q. Well, your counsel has just</p> <p>10 suggested to you that the answer to the</p> <p>11 question is that these numbers in the LDCs</p> <p>12 non-Dexia related line are contained in</p> <p>13 Love Exhibit 4. Do you believe that your</p> <p>14 counsel is right about that?</p> <p>15 MS. DYER: You are</p> <p>16 mischaracterizing what I suggested.</p> <p>17 What I suggested is that if you</p> <p>18 took the numbers where it says</p> <p>19 "Dictation Consortium; Dexia related</p> <p>20 Brussels Translation Group; Dexia</p> <p>21 related LDCs; Dexia related subtotal,</p> <p>22 then subtracted those, you would do</p> <p>23 that. So don't mischaracterize my</p> <p>24 objection. Please don't</p> <p>25 mischaracterize my objection.</p>

31 (Pages 118 to 121)

<p style="text-align: right;">122</p> <p>1 LOVE</p> <p>2 MR. BUTLER: It is totally</p> <p>3 improper for you to coach the witness</p> <p>4 by suggesting how he could do a</p> <p>5 calculation -- don't interrupt me --</p> <p>6 so I object to your coaching this</p> <p>7 witness to suggest to him how he could</p> <p>8 go about calculating an exhibit to his</p> <p>9 expert report that he allegedly was</p> <p>10 involved in preparing.</p> <p>11 MS. DYER: You, under the</p> <p>12 auspices of mischaracterizing my</p> <p>13 objection, sought to ask him a</p> <p>14 misleading question and sought to</p> <p>15 suggest that I had made a statement</p> <p>16 which was not accurate.</p> <p>17 MR. BUTLER: If you think I'm</p> <p>18 asking him a misleading question I</p> <p>19 would appreciate it if you would</p> <p>20 object to the form and leave it at</p> <p>21 that.</p> <p>22 MS. DYER: I did.</p> <p>23 CONTINUED EXAMINATION BY MR. BUTLER:</p> <p>24 Q. Sir, can you answer my question.</p> <p>25 Is it true that the information in the</p>	<p style="text-align: right;">124</p> <p>1 LOVE</p> <p>2 the total dollar change gives you what's</p> <p>3 left in the other categories.</p> <p>4 Q. Sir, are you referring to the</p> <p>5 "Other" line of Exhibit 7A or the LDCs</p> <p>6 non-Dexia related line?</p> <p>7 A. The total of the two.</p> <p>8 Q. Well, I'm a little confused</p> <p>9 about your answer but let me ask you about</p> <p>10 the "Other" line, maybe it will be easier.</p> <p>11 Do you know how the "Other" line</p> <p>12 of this document was calculated?</p> <p>13 A. Okay. We got to the bottom</p> <p>14 line. We got to the deduction of -- of</p> <p>15 Dictation, because we have dictation up</p> <p>16 front. We -- if we know and we've proven</p> <p>17 out the total of the Dexia related items,</p> <p>18 then the remaining amount has got to come</p> <p>19 from the "Other" item or the Asia percent</p> <p>20 item.</p> <p>21 It can be parsed out between the</p> <p>22 two, because we know Dexia -- and we know</p> <p>23 Dexia's correct 'cause we looked at Dexia</p> <p>24 in this particular report, we looked at</p> <p>25 all of Dexia's work and we saw where Dexia</p>
<p style="text-align: right;">123</p> <p>1 LOVE</p> <p>2 LDCs non-Dexia related line of Exhibit 7A</p> <p>3 was derived from FV1735, which is also</p> <p>4 Love Exhibit 4?</p> <p>5 A. I'm just trying to line things</p> <p>6 up.</p> <p>7 What's done in 7A, they just</p> <p>8 parsed out what's been in Love Exhibit 4</p> <p>9 based upon what we knew about Dictation</p> <p>10 Consortium, Brussels Translation Group,</p> <p>11 um, and we knew what that piece of it is</p> <p>12 and there are other pieces that are</p> <p>13 included in the total, and other pieces</p> <p>14 are included in 4, um, so it's just for</p> <p>15 the most part it appears to be parsing all</p> <p>16 of that out.</p> <p>17 Q. I'm not sure I understand, sir.</p> <p>18 Can you tell me how the figures</p> <p>19 in Love Exhibit 7A, the line LDCs</p> <p>20 non-Dexia related were derived from Love</p> <p>21 Exhibit 4?</p> <p>22 A. Well, if you have the Dexia --</p> <p>23 the Dexia related ones that we discuss in</p> <p>24 the report and you have the total,</p> <p>25 reducing the -- deducting the Dexia from</p>	<p style="text-align: right;">125</p> <p>1 LOVE</p> <p>2 was involved in the fraud -- and now we're</p> <p>3 coming in and seeing what happens at other</p> <p>4 places in the world, and that's the</p> <p>5 "Other" line and the LDC lines for those</p> <p>6 different places.</p> <p>7 Q. Well, sir, let me just focus</p> <p>8 your attention on the "Other" line in the</p> <p>9 year 1998. I note that that "Other" line</p> <p>10 contains a lot of -- it's a more detailed</p> <p>11 number than a lot of the other numbers.</p> <p>12 Most of these numbers are in the hundred</p> <p>13 thousands and that line is in the</p> <p>14 thousands.</p> <p>15 Do you know how you or Mr. Roth</p> <p>16 were able to calculate the "Other" line</p> <p>17 with such a high degree of precision?</p> <p>18 A. Say this again?</p> <p>19 Q. In 1998 --</p> <p>20 A. Total?</p> <p>21 Q. How were you able to calculate</p> <p>22 the "Other" line with a higher degree of</p> <p>23 precision than any of the other</p> <p>24 calculations that you gave?</p> <p>25 A. Because the "Other" line is a</p>

32 (Pages 122 to 125)

<p style="text-align: right;">126</p> <p>1 LOVE</p> <p>2 deduction of what's left over from the</p> <p>3 total based upon what we had identified.</p> <p>4 Q. I think I understand now.</p> <p>5 Is it your testimony, sir, that</p> <p>6 what you did to prepare this, at least for</p> <p>7 1998, was to take the total amount of</p> <p>8 overstated revenue from Lernout & Hauspie</p> <p>9 and subtract what you regarded as the</p> <p>10 Dexia and the non-Dexia LDC portion, I</p> <p>11 guess there isn't any there, and what's</p> <p>12 left over is the "Other" line?</p> <p>13 A. Yes.</p> <p>14 Q. Is that the way this was</p> <p>15 calculated?</p> <p>16 A. Yes.</p> <p>17 Q. Okay. And is the same true for</p> <p>18 1999, the "Other" line is just reflecting</p> <p>19 what is left over when you subtract what</p> <p>20 you say Dexia and the LDCs were</p> <p>21 responsible from the total restatement</p> <p>22 that comes from Love Exhibit 4?</p> <p>23 MS. DYER: Objection to form.</p> <p>24 Do you understand the question?</p> <p>25 A. '88 [sic] we're clear on, we're</p>	<p style="text-align: right;">128</p> <p>1 LOVE</p> <p>2 a million dollars more above in that line</p> <p>3 than they have -- and the rest falls into</p> <p>4 the two numbers that make up the</p> <p>5 difference between the Dexia and the 161</p> <p>6 total which ties in here.</p> <p>7 So we had later information,</p> <p>8 that later information was used to adjust</p> <p>9 the Dexia related LDCs and they</p> <p>10 undoubtedly have characterized it, the</p> <p>11 people who did Exhibit 4, a little</p> <p>12 differently than we did, and we parsed it</p> <p>13 out and came down to the same number that</p> <p>14 they have as a restatement, but the</p> <p>15 numbers -- the number in "Other" has got</p> <p>16 to be a number that's a difference between</p> <p>17 the two.</p> <p>18 Q. So just to make sure that I</p> <p>19 understand it, we look at a specific</p> <p>20 quarter, Q4 of 1998, just as an example.</p> <p>21 If I understand that the way these numbers</p> <p>22 were calculated is that basically you</p> <p>23 started with the total amount of the</p> <p>24 restatement, which was about \$27 million,</p> <p>25 and then you subtracted from what -- what</p>
<p style="text-align: right;">127</p> <p>1 LOVE</p> <p>2 up to '89 [sic], revenue line is there.</p> <p>3 They took out 22, roughly, for the LDC and</p> <p>4 they put it into the "Other" line going</p> <p>5 across.</p> <p>6 Our line on LDCs non-Dexia</p> <p>7 related for '99 is \$7 million less than</p> <p>8 the LDC non-Dexia or Asia LDCs on 1999.</p> <p>9 The rest would go into the fraud</p> <p>10 other, which would be the Korean fraud and</p> <p>11 the U.S. fraud.</p> <p>12 So roughly, as I sit here now,</p> <p>13 I can see that there is a correlation, but</p> <p>14 that we knew the numbers on Dexia so we</p> <p>15 used those numbers to come up with the 22,</p> <p>16 5 for Dexia, and then the others are</p> <p>17 taking the remaining balances on the Asia</p> <p>18 LDCs, the Korean fraud and the U.S. fraud,</p> <p>19 putting the two together; and there is a</p> <p>20 \$7 million difference in the LDC non-Dexia</p> <p>21 related, one million is included in our</p> <p>22 numbers above for the Dexia related, so</p> <p>23 when we went through -- and this report</p> <p>24 would have come after the people who</p> <p>25 prepared this report (indicating), we have</p>	<p style="text-align: right;">129</p> <p>1 LOVE</p> <p>2 you believe came from Dictation</p> <p>3 Consortium, 4.5 million, and the Dexia</p> <p>4 related LDCs, 12 million, for a total of</p> <p>5 16.5 million, and what's left over is 10.6</p> <p>6 million that went into the "Other" line?</p> <p>7 A. Category, yes.</p> <p>8 Q. Did is that correct?</p> <p>9 If you go over to Q1 of 1999,</p> <p>10 I'm a little confused about what's</p> <p>11 happening here. Because if you start with</p> <p>12 a total restatement of about \$20.1 million</p> <p>13 from Love Exhibit 4 and it looks like you</p> <p>14 subtracted from that two million for</p> <p>15 Brussels Translation Group, two million</p> <p>16 for Dexia related LDCs, 22 million for the</p> <p>17 non-Dexia related LDCs but you actually</p> <p>18 came up with a bigger restatement than is</p> <p>19 reflected in Love Exhibit 4; correct?</p> <p>20 MS. DYER: Objection to form.</p> <p>21 A. Say this again. The</p> <p>22 restatement --</p> <p>23 Q. The total restatement --</p> <p>24 A. Is the same --</p> <p>25 Q. The total restatement from Love</p>

33 (Pages 126 to 129)

<p style="text-align: right;">130</p> <p>1 LOVE</p> <p>2 Exhibit 4 is 20.1 million; correct?</p> <p>3 A. Oh, we're looking at the first</p> <p>4 exhibit, right.</p> <p>5 Q. And if you look in Q1 of 1999</p> <p>6 this chart indicates that the restated</p> <p>7 revenue associated with BTG, the Dexia</p> <p>8 related LDCs and the non-Dexia related</p> <p>9 LDCs amounts to \$26 million; correct?</p> <p>10 A. Yes.</p> <p>11 Q. So you concluded that the</p> <p>12 restatement in Q1 1999 was greater than</p> <p>13 what is reflected in Love Exhibit 4;</p> <p>14 correct?</p> <p>15 A. Yes.</p> <p>16 Q. And the way that you made that</p> <p>17 tie out --</p> <p>18 A. Whoa, whoa, wait a minute. Wait</p> <p>19 a minute. When I said yes I didn't mean</p> <p>20 to say yes, let me go back, because I have</p> <p>21 to hear what you said again. That yes was</p> <p>22 too quick. Go ahead and say it again.</p> <p>23 Q. My question is did you conclude</p> <p>24 that the restatement -- that the</p> <p>25 overstated revenue in the first quarter of</p>	<p style="text-align: right;">132</p> <p>1 LOVE</p> <p>2 Q. The total of those two numbers</p> <p>3 is 24 million; correct?</p> <p>4 A. Right.</p> <p>5 Q. So you believe that the amount</p> <p>6 of overstated revenue, according to this</p> <p>7 chart, you believe that the amount of</p> <p>8 overstated revenue for Q1 1999 was \$24</p> <p>9 million; correct?</p> <p>10 MS. DYER: Objection to form.</p> <p>11 A. No, we believe it was 20</p> <p>12 million, 109. In both we've used 20</p> <p>13 million, 109.</p> <p>14 Q. Sir --</p> <p>15 A. This is, this is -- look,</p> <p>16 Exhibit 4 is what they made their</p> <p>17 restatement for. We went through and were</p> <p>18 able to determine certain amounts of</p> <p>19 either from here or from our work with the</p> <p>20 Dexia specific frauds, and the difference</p> <p>21 then, you know, between ours and theirs,</p> <p>22 we both were not -- we're not disagreeing</p> <p>23 that the fraud isn't 20 million, 109 at</p> <p>24 this point, all we're saying is that this</p> <p>25 is what we identify and the difference has</p>
<p style="text-align: right;">131</p> <p>1 LOVE</p> <p>2 1999 was \$26 million, which is actually</p> <p>3 greater than what is reflected in Love</p> <p>4 Exhibit 4 for the same quarter?</p> <p>5 MS. DYER: Objection to form.</p> <p>6 A. No, I think we concluded that</p> <p>7 the overstatement in revenue in both</p> <p>8 reports is 20 million, 109.</p> <p>9 Q. But, sir, don't the numbers that</p> <p>10 you have as overstated revenue for the</p> <p>11 first quarter of 1999 --</p> <p>12 A. Right.</p> <p>13 Q. -- for Brussels Translation</p> <p>14 Group it's two million; correct?</p> <p>15 A. That's correct.</p> <p>16 Q. For LDCs Dexia related it's --</p> <p>17 oh, I'm sorry, maybe I'm reading it</p> <p>18 incorrectly -- it comes to 24 million,</p> <p>19 because I'm counting the total twice. So</p> <p>20 two million for Brussels Translation</p> <p>21 Group; right?</p> <p>22 A. Right.</p> <p>23 Q. 22 million for LDCs non-Dexia</p> <p>24 related; correct?</p> <p>25 A. Right.</p>	<p style="text-align: right;">133</p> <p>1 LOVE</p> <p>2 got to be somewhere else.</p> <p>3 So that three million 891 that</p> <p>4 got you -- has you concerned, is really an</p> <p>5 adjustment to that \$22 million number, and</p> <p>6 there is an adjustment here in the second</p> <p>7 quarter to that \$22 million number in</p> <p>8 total, but the number at the bottom is</p> <p>9 right. We know the number at the -- for</p> <p>10 Dexia --</p> <p>11 Q. Sir, I'm having trouble</p> <p>12 understanding. You know the number at the</p> <p>13 bottom is right, so 20.1 million is the</p> <p>14 amount of overstated revenue; correct?</p> <p>15 A. Correct.</p> <p>16 Q. So didn't you just add</p> <p>17 \$3,891,000 to this chart to adjust the</p> <p>18 fact that your information about BTG and</p> <p>19 the non-Dexia related LDCs actually came</p> <p>20 to \$24 million and didn't match up with</p> <p>21 the conclusion you're trying to reach?</p> <p>22 MS. DYER: Objection to form.</p> <p>23 A. We determined that the Dexia</p> <p>24 number was right. We looked at their LDC</p> <p>25 number that they showed on there. We put</p>

34 (Pages 130 to 133)